EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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SOUTH KOREA
Radical changes in tax system planned
Page 4

World News

South African black unions strike ahead of elections

Black trade unions in South Africa are due to begin a two-day general strike today to protest against the exclusion of blacks from general elections scheduled for Wednesday. The strike is intended as the climax of a month-long anti-apartheid campaign, which has led to 1,500 arrests and clashes between police and demonstrators. Page 18

Moscow warning

The Soviet Union warned Afghan rebels against further attacks on Kabul airport, following a rocket assault that killed 16 people, but declined to say what retaliatory measures it might take. Page 4

US arms proposal

Senator Sam Nunn, Chairman of the US Senate Armed Forces Committee, proposed a new approach to arms control which would allow exploration of the reduction of short-range nuclear weapons in Europe. Page 18

China sacks liberal

Chinese Premier Li Peng sacked Minister of Culture Wang Meng, regarded as an ally of fallen Communist Party chief Zhao Ziyang. Page 4

Cuban jet crashes

A Cuban Airlines jet carrying Italian tourists crashed into a village after taking off from Havana airport killing all 126 people on board.

Gandhi denial

Indian Prime Minister Rajiv Gandhi denied allegations made by the former head of the Indian army that he was involved in a cover-up of the Bofors scandal. Page 4

Italian party truce

Italy's Christian Democrats avoided a factional struggle last week when right wingers persuaded former Prime Minister Ciriaco De Mita to withdraw his resignation from the party's presidency.

Egyptian debt lobby

Egypt despatched senior officials to European capitals to drum up support ahead of delicate negotiations with the IMF on a new reform package.

Albanians to protest

Ethnic Albanian separatists in Yugoslavia's troubled Kosovo province called for mass protests and strikes to coincide with the non-aligned countries' summit in Belgrade.

Riots in US

Rioting broke out for a second night in Virginia Beach, an Atlantic Ocean resort city where 100,000 mainly young, black students had gathered.

Israeli jet attack

Four Israeli jets bombed the southern Lebanese village of Majdal Balhis destroying the local headquarters of the radical Palestinian Front for the Liberation of Palestine – General Command. Page 4

Soccer fan dies

An England soccer fan fell overboard and died during disturbances on a ship sailing to Sweden for a match. Page 10

Snakes alive

Police arrested two Korean film directors and a snake seller for releasing snakes in cinemas to protest against the showing of the American film *Fatal Attraction*.

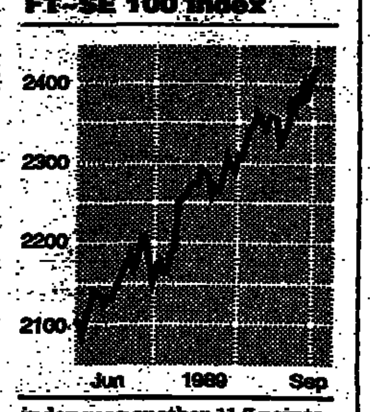
Business Summary

Bowater in £382m bid for Norton Opax

BOWATER Industries, UK packaging and industrial products company, made a £382m ($600m) "full and final" bid for Norton Opax, specialist print and packaging company, which itself made a hostile bid for banknote printer De La Rue two weeks ago. The Bowater bid will lapse at the weekend if Norton shareholders accept their management's De La Rue bid. Page 19

FT-SE Index: The new equity account in the UK stock market opened stronger with the FT-SE Index continuing to move nearer to the all-time high recorded in July 1987. The index rose another 11.7 points to 2,419.2, about 24 points short of the all-time peak, consolidating above the psychologically important 2,400 mark.

FT-SE 100 Index



EAGLE Trust: three new directors were appointed to the board of the UK industrial holding company subject of a Serious Fraud Office investigation, in a move which appears to give Malcolm Stockdale, chairman of US group Iroquois Brands, boardroom control. Page 19

MAKITA of Japan, one of the world's three largest manufacturers of electric hand-held power tools is to build a £27m ($42.6m) production plant in Telford, central England to serve the European market. Page 8

ADIA, world's second largest employment agency, is to merge with fellow Swiss company Inspectorate International to form one of the world's largest service groups. Page 19

TNT, Australian-based international transport group, said after-tax operating profits rose 11.5 per cent to A$225.6m ($178m) for the year to June. Page 21

SIME Darby, Malaysia's largest listed company, announced a 65 per cent rise in after tax profits to 339.4m ringgit ($125m) for the year to June on a 25 per cent jump in turnover to 4.2b ringgit. Page 22

SEKISUI House, Japan's top prefabricated housebuilder, lifted unconsolidated pre-tax profits in the half to July by 25.5 per cent to Y33.5bn ($234m) due to vigorous domestic demand. Page 22

STROMBERG-Carlsson, US subsidiary of the UK's GPT telecommunications group, made a breakthrough in the Canadian market with an order from the Manitoba Telephone System valued at $10m-$20m. Page 6

FAI Insurances, Australian general insurance group, said profits were slashed by almost two thirds to A$60.04m ($46m) for the year to June. Page 21

BORAL, building materials group which is one of Australia's largest companies, announced its fifth scrip issue in six years after reporting a record operating profit of A$301m ($231m) for the year to June, up 44.3 per cent. Page 21

US and Canadian markets remained closed yesterday for Labour day holidays.

Saab-Scania opens talks with Ford after heavy losses

By John Burton in Stockholm and Kevin Done in London

SAAB-SCANIA, the Swedish automotive and aerospace group yesterday disclosed heavy losses in its troubled car division and revealed that it is holding talks with Ford of the US on collaboration that could enable Saab to increase its sagging production volume.

The group made losses of around SKr800m ($121m) in the first six months of 1989. Losses of a similar scale forecast for the second half of the year.

In a joint statement Saab-Scania and Ford said the two companies were exploring "whether there was any possibilities of closer co-operation in various areas of the automotive business."

Although there has been prolonged speculation about Saab, one of the smallest West European car makers, seeking some form of collaborative assistance from Ford, the world's second largest automotive group, the two companies insisted yesterday that discussions were "still at an early stage". No further details of the talks were released.

Mr Georg Karnsund, Saab-Scania chief executive yesterday denied speculation that he would resign.

He expressed confidence that Saab would weather the crisis on its own if need be, noting that the company survived similar troubles in the late 1970s. Although giving few details about the discussions with Ford, he ruled out the possibility that Saab would be sold to the US auto maker.

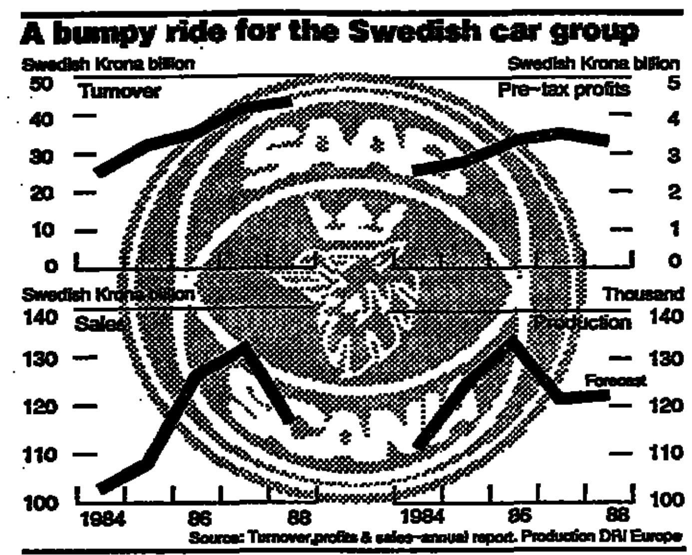
Mr Karnsund blamed falling sales in the US and high production costs in Sweden for the car division's woes. Saab car sales slumped by 15 per cent in the US, its most profitable market, during the first half of 1989.

Mr Karnsund said the car division's losses had reduced the group's profits by 30 per cent to SKr902m in the first six months.

Saab was forced to take the unprecedented step of releasing a six-month financial statement – it normally releases four and eight month figures – following sharp criticism from the Stockholm Stock Exchange last week.

The Saab-Scania share price has tumbled in recent days on rumours that car losses could total SKr2bn this year. Mr Bengt Ryden, head of the stock exchange, said that Saab had a duty to clarify its financial position.

A bumpy ride for the Swedish car group



Swedish share prices closed sharply lower in active trading, triggered by Saab-Scania's unexpected release of its six-month figures. The company simultaneously revealed it was discussing a possible co-operation deal with Ford.

Saab's free B-shares closed SKr2.00 lower at SKr219.00, while its restricted A-shares rose SKr7.00 to SKr233.00.

The general index finished 1.35 per cent lower than Friday.

During the same period, sales of all imported European models fell by 19 per cent, although Volvo, Saab's bigger Swedish competitor, showed an 11 per cent gain. Saab recovered ground in July and August, with US sales now lagging 10 per cent behind the first eight months of 1988, with a backlog of 3,000 vehicles.

The fall in sales has made it difficult for Saab to absorb higher production costs, caused by climbing wage bills. Saab is reportedly losing SKr15,000 on each model it produces of the top of the line Saab 9000.

Saab has started a restructuring programme to cut costs, including reducing the car division's 15,500 workforce by 1,500 to 2,000 persons and plans to sell its three domestic vehicle components factories which employ another 1,400. Production is also being cut back temporarily to match demand.

Karnsund said the long term solution to Saab's problems would be to expand production volume enough to achieve economies of scale. "My basic view is that we would achieve bigger volumes faster through collaboration with a suitable partner," he explained, indicating Ford.

Sweden's powerful metal workers union last week called on the government to promote a possible merger between Saab and Volvo, but Mr Karnsund dismissed the idea.

Disclosing that "routine" talks were held with Volvo a year ago, he explained that a Swedish solution would lead to a shutdown of facilities and loss of jobs as production is concentrated. "If we have co-operation, however, with Ford or some other foreign company this will increase volume and therefore employment," he added.

While group profits fell from SKr1.28bn to SKr902m during the first half, sales rose by 12 per cent from SKr20.82bn to SKr23.04bn. Sales by the Scania division, the group's most profitable business area, climbed by 17 per cent to SKr11.58bn, based on strong demand in the US and Western Europe.

The car division showed a 2 per cent increase in turnover to SKr8.41bn with higher sales in Western Europe, particularly in the UK, Germany and France.

Background, Page 16; Lex, Page 18

China turns to foreign markets to raise funds for aircraft

By Stephen Fidler in London

CHINA has re-emerged publicly as a borrower in the international banking market for the first time since the June massacre of protesters in Peking's Tiananmen Square.

The regional airline, Air China, has successfully raised about £130m ($203m) in Japan and Europe for the purchase of a Boeing 747-400 airliner.

The financing, carrying the guarantee of the Bank of China, shows, however, that the country is being forced to pay significantly more than would have been necessary before the turmoil.

Foreign credits dried up after the massacre. A subsequent sharp drop in tourist business has also caused problems for banks which have financed hotels in the country.

The arranger of the complex loan arrangement, known as the Japanese leveraged lease, is a specialist airline financing company known as The Transportation Group. TTG, with offices in New York, Hong Kong, Tokyo and London, was formed in March by former members of the aircraft financing team of Paine Webber, the Wall Street securities house.

The debt underlying the transaction carries an interest margin of ¾ percentage point over London interbank offered rates, compared with perhaps ¼ or ⅜ point earlier in the year. These floating-rate funds will be swapped to obtain a fixed rate of interest for the borrower.

Mr Didier Benaroya, a partner and head of TTG's European operation, said the 12-year transaction had had a "very good reaction" from European banks, which will provide most of the roughly £100m in debt, and guarantees in case the lease is terminated early. Japanese investors will provide about £30m of equity finance for the aircraft.

Mr Benaroya, who would not disclose the lending banks, said the financing had met contrasting reactions. Some bankers would not countenance a resumption of lending and, apart from political considerations, still considered China too risky. Others believed the terms were generous and likely to fall as general lending resumed.

Many banks take the view that lending for aircraft purchase is a safe way to lend to developing countries because of the security of the aircraft.

Strikes disrupt port, factories in Azerbaijan

By James Blitz in Baku

A STRIKE by Azerbaijan's powerful Popular Front movement had almost closed the docks and several key factories in Baku, the capital of the Soviet republic, by yesterday afternoon.

As the planned week-long stoppage – in pursuit of a range of nationalist demands including the end of Moscow's direct rule over the disputed enclave of Nagorno-Karabakh – got under way, some 3,000 workers decided to set up a strike committee at the Lieutenant Schmidt factory, which makes machinery for the oil industry.

The Popular Front also reported that strike committees had been set up in most factories in the capital, as well as in Kirovabad, Azerbaijan's second city, and in the town of Shusha in Nagorno-Karabakh.

The strike started just two days after Mr Yegor Ligachev, the leading conservative in the Politburo in Moscow, launched another powerful attack on nationalist groups.

Mr Ligachev warned on Soviet television at the weekend that "nationalists and separatists of various hues are actively working to weaken the Soviet leadership."

However, the the Popular Front's decision to hold the strike may be due to the fact that Soviet television does not appear to have broadcast its interview with Mr Ligachev outside the Moscow region.

The strikers main demands are for an end to Moscow's administration of Nagorno-Krabakh, the territory disputed between Azerbaijan and Armenia and official recognition for the Popular Front movement, which has harnessed nationalist feeling in the republic.

The Popular Front had promised at the weekend that "90 per cent of all enterprises will fail to operate."

Yesterday, however, this prediction appeared optimistic, with at least three factories in Baku still operating, while many office workers appeared to be turning up for work despite limited transport facilities.

On Baku's quayside, the only visible activity yesterday morning was on a recently arrived Iranian freighter.

Oil rig teams also reported for duty, although the Popular Front said that there would be a temporary embargo on oil exports to the rest of the USSR.

In such a fiercely nationalist republic as Azerbaijan, the Front might have expected more people to strike on its behalf yesterday, and the Front's failure to promote a full stoppage yesterday may indicate that the Kremlin's recent drive against nationalist groups has sapped people's confidence to protest.

Communist Party leaders held several meetings with the Popular Front to try and get the strike called off.

However, the Front is already planning to hold another major rally in the capital tomorrow evening at which it expects more than 100,000 people to turn up.

In a relatively tense situation, the Soviet military has also made its presence felt. Several Soviet army helicopters were yesterday surveying the streets of Baku from the air.

Mr Ehtidar Mamedov, a member of the Popular Front leadership, said that 6,000 Interior Ministry troops had been drafted in to the capital in the last week. They were not conspicuous, however, at a Popular Front rally in the centre of town on Saturday.

Lech Walesa (above), leader of Poland's Solidarity movement, yesterday criticised Communist Party leaders who are trying to secure a significant share of posts in the nation's new Cabinet. He said the appointments should go to "reformers" rather than be awarded because of party allegiance. In Bonn, a Communist Party secretary said the party was seeking to lead the ministries of Foreign Affairs, Internal Affairs, Defence, Communications and Culture as well as to obtain one of the deputy premierships. Report, Page 18

Three European grocery chains to swap shares in joint venture

By Christopher Parkes, Consumer Industries Editor, in London

THREE of Europe's leading grocery chains will swap shares to cement a large-scale international joint venture.

Argyll of the UK, which runs the Safeway chain, Groupe Casino of France and Koninklijke Ahold of the Netherlands will each exchange new shares worth Ecu50m (about $56m) for shareholdings in each of the other two companies, Argyll said. The deal is expected to be completed towards the end of next month.

Each group will hold a one-third interest in a new company, The European Retail Alliance, which will probably be based in Luxembourg and which will devise and execute plans to exploit opportunities in marketing, distribution, purchasing, production and management information systems.

Pan-European joint buying will be handled through a separate company, Associated Marketing Services, registered in Switzerland, which will involve four other participants from European countries. These are Dansk Supermarked of Denmark, La Rinascente from Italy, ICA of Sweden and Migros of Switzerland.

Mr David Webster, deputy chairman of Argyll, said: "We are tying up, bit by bit, all the major retailers across Europe."

Joint ventures of this type are expected to become more common as completion of the European Community's internal market approaches.

They offer participants an alternative means of expansion without damaging takeover battles, economies of scale, and are an effective counter to concentration among consumer goods manufacturers.

One of the main aims of the 1992 single market programme is to allow a product sold in one country to be distributed freely in all the others.

This has led manufacturers to seek scale economies by focusing output of many products in two or three European countries where formerly they tended to have factories in each member state. Reckitt & Colman of the UK rationalised production of several household products in this way.

Manufacturer power is also growing through acquisition, as in the purchase of Rowntree by Nestlé, and the more recent takeover of Kraft by Philip Morris of the US, which already owned General Foods.

Mr Webster said manufacturers would soon have to negotiate with one of the biggest customer groups in Europe. The retailers would benefit from enhanced purchasing power, which would reduce costs and increase margin efficiency.

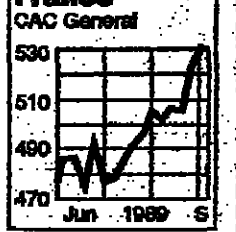
The three members of the alliance, which last year had aggregate sales of £11.5bn, will also be able to improve efficiency through sharing quality assurance work, distribution and logistics.

Mr Alistair Grant, chairman and chief executive of Argyll will be the first chairman of The European Retail Alliance, and the post will rotate among heads of the founder members.

Lex, Page 18

MARKETS

France
CAC General



STERLING
New York
closed ($1.5575)
London:
$1.5640 (1.5565)
DM3.0750 (3.0775)
FFr10.3700 (10.3775)
SFr2.6575 (2.6600)
Y226.75 (227.0)

DOLLAR
New York closed
DM(1.9775)
FFr(6.6675)
SFr(1.707)
Y(145.7)
London:
DM1.9785 (1.9780)
FFr6.6725 (6.6675)
SFr1.7095 (1.7085)
Y145.90 (145.80)

GOLD
New York closed
Comex Dec
$(368.1)

INTEREST RATES
US closed
Federal Funds (8⅞%)
3-mth Treasury Bills: yield: (8.09%)
Long Bond: (100) yield: (8.12%)
London
3-month interbank: close 13 11/16% (same)

STOCK INDICES
New York closed
Dow Jones Ind. Av. (2,752.09)
S&P Comp. (353.73)
NYSE Comp. (189.78)
London:
FT-SE 100
2,419.2 (+11.7)
World:
150.83 (Fri)
Tokyo
Nikkei Ave
34,453.73 (+135.56)
Frankfurt
Commerzbank
2,016.5 (+20.8)

OIL
Brent 15-day (Argus)
$17.425 (+0.10) (Sept)
West Tex Crude
closed
(Oct)

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Zimbabwe: land returns to the forefront of political agenda

Mr Robert Mugabe, Zimbabwe President, may alter the constitution to enable the Government to buy compulsorily white-owned land for black settlement. The surprise is that the land issue has remained dormant for so long
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Political impetus builds behind hopes for free market in insurance

Legal headaches abound but the French Government is pressing hard for progress in breaking down barriers, Tim Dickson reports

THE fiercely contested bid for Groupe Victoire, together with Axa Midi's open ambitions to acquire Farmers of the US, have suddenly transformed France into Europe's most lively and exciting insurance stage.

However, over the next few months the Paris Government is hoping that some of the attention will shift to the European Community's main political arena in Brussels.

Eight weeks into its half-yearly term as President of the EC's Council of Ministers, France is demanding a tough work schedule from those attempting to build a market free of barriers in insurance services. Four main issues have been identified at this stage – including Commission proposals to liberalise individual life insurance and harmonise insurance company accounts – and the aim which has been clearly set is to make significant political progress in all four negotiations by the end of December.

The expectation of political movement, meanwhile, has been fuelled by Sir Leon Brittan, the EC's Commissioner in charge of financial services, who has dropped strong hints that, following the EC's successful efforts to break down barriers in banking over the first six months of 1989, he intends to turn his energies elsewhere in the second half of the year.

Insurance is indeed a tempting target given the hurdles that remain to be cleared by 1992 – but it is also an awkward coconut for Britain's senior Commissioner to shy.

The EC's objective of a free European market in insurance products sends shudders of political apprehension through many member states, for example, and creates legal headaches for its own policy makers.

Home country control as in the banking sector remains the Commission's preferred instrument – that is to say insurance companies properly established and supervised in one member country should be allowed to do business in others. But with 12 different legal traditions and accounting conventions to take into account, detailed harmonisation is considered essential in some technical areas, while a less than dogmatic interpretation of the mutual recognition principle is required in others.

No one in Brussels really expects that all the EC's 320m citizens are going to shop around from Bremen to Barcelona for their personal life cover and car insurance. But with premium rates up to 10 times higher in some parts of the EC than others, according to a consumer survey last year, the goal of a single market is thought to be well worth attaining for big European companies and for the 60m or so inhabitants who live in the border regions between member states.

The first steps towards a single market in reinsurance were taken in the 1960s, while the main rights of establishment both for non-life insurance companies (1973) and life insurance companies (1979) were negotiated during the following decade. The right of establishment, however, only gives access to 12 national markets: as those involved in the programme are all too vividly aware, it does not weld them into one.

In seeking to promote the more radical freedom to provide insurance services – the right in other words of a company based in one country to cover risks and policy holders in another member state without having an office there – Brussels took the issue in the mid-1980s to the European Court.

The result was ambiguous. While the Luxembourg judges appeared on the one hand to strike a blow for *laissez faire* – finding in the crucial case in favour of the Commission against West Germany's restrictive supervision laws requiring establishment as a precondition for doing business – they also entered some strong caveats.

Essentially the Court's message was that insurance is a sensitive matter, that consumer protection may not be needed in every case, but that pending further technical harmonisation of Community law the state where the insurance services are being provided was entitled to require insurers to observe most of its supervisory rules.

No one expects that the EC's 320m citizens will shop around for life cover and car insurance but a single market is thought to be well worth attaining

The big political breakthrough nevertheless came in June last year when the Council of Ministers formally adopted the so-called Second Non-Life directive covering big industrial risks. Unblocked to a large extent by the majority voting procedures introduced in the Rome Treaty amendment known as the Single European Act, the directive means that after a phasing-in period which lasts until the end of 1992 most companies qualifying as "big risks" will have free access to buy property and liability cover from insurance concerns based elsewhere in the Community.

The scope of this directive deliberately excludes the complex question of motor insurance, an omission which was put right when Brussels tabled a proposal on compulsory third party risks last December.

But while this measure, which essentially applies to fleet buyers rather than private motorists, does not figure on the list of French priorities, Mr Pierre Bérégovoy, the French Economics and Finance Minister, will be hoping to make progress on an earlier draft directive designed to protect passengers killed or injured in an uninsured car. The matter has been discussed twice by working parties from the member states, with Greece and Ireland understood to have been the most wary.

Life assurance, meanwhile, is even more delicate than non-life given that group pension schemes apart, there is really no "big risks" equivalent in this sector. This is why the Commission's first step towards freeing life insurance services, also taken last December, is limited to policy holders seeking cover in other member states on their "own initiative" (by picking up the telephone, writing, or actually going there). The French Presidency hopes that provisional Council agreement – the so-called common position – can be reached by Christmas.

Two other achievements which France hopes to notch up are final agreement on the EC/Swiss insurance accord, which grants equal right of establishment for companies covering non-life risks, and progress on the crucial insurance accounts directive.

The latter will not only plug the remaining gap left in the area of EC accounts harmonisation; through providing sufficient harmonisation of member states' prudential requirements it could lay the basis for fuller liberalisation in both life and non-life insurance services. In this context it is worth noting that the Parliament took two years to deliver its opinion – typical of the lack of urgency in insurance matters which has been demonstrated by all EC institutions in the past.

Also on the table, but not on the formal agenda of the French Presidency, is a proposal on winding up insurance companies and the long-standing and endlessly debated draft directive on the harmonisation of contract law (policy conditions). The latter appears clinically dead, even if the life support system has not yet been switched off, and it now seems to be generally accepted that contract law is one area where a light touch on the Euro tiller (allowing host country control to prevail) will reap worthwhile political rewards.

Further directives known to be under discussion inside the Commission will cover cross-border provision of group pension contracts – technically complex and politically contentious but of great potential benefit to multi-national corporate customers and "mass risks" in the life and non-life fields. These last two can be seen as the biggest prize but they will only be won if over the next few years there exists the right combination of consumer pressure, political flexibility and all-round willingness to embrace the principles of 1992.

Confronted with the action on its own doorstep the French Government – Presidency responsibilities and ambitions apart – appears to be seeing the point.

Hungary to downgrade role of Communist party

By Judy Dempsey in Budapest

ALL references to the leading role of the ruling Communist party will be dropped from Hungary's constitution under proposed amendments which instead will invest powers in three new institutions aimed at introducing checks and balances into the country's parliamentary system.

The amendments, the first set to be made to the 1949 constitution drawn up by the ruling Hungarian Communist party, which endowed the party with omnipotent powers, will help make the difficult and unprecedented transition from a one-party state to a multi-party system.

The current preamble to the constitution, which defines the political nature of Hungary as a "People's Republic" and lays out the leading role of the Hungarian Communist party throughout society, will be scrapped.

Instead the diversity of the Hungarian political system will be stressed as well as the diversity of property rights which will all be equal before the law.

"The unity of powers was invested in the present constitution. We now have to get rid of this concept. In future, the state must distribute power throughout society," said Mr Tibor Bogdan, a member of the staff for Constitutional Law Codification which is, in effect, the commission attached to the Ministry of Justice which is responsible for drawing up the amendments.

However, the amendments already face considerable opposition from independent political groups which, among other things, want parliament to play a greater role in the election of the President.

The amendments, which it is hoped would be adopted by parliament or by referendum, before the free parliamentary elections – which might now take place in December or next January – include three main points:

- The presidency, whose powers will go well beyond its current status.
- Establishment of a constitutional court.
- Setting up a special state institution, along the lines of the Treasury in Great Britain, which will oversee the annual budget.

The amendments will also redefine the concept of human rights, strengthen the role of the individual and devolve greater powers to local government.

The new role of the President, which many expect to be Mr Imre Pozsgay, the leading Communist party reformer and a member of the four-man party praesidium, has proved to be the most controversial. According to Mr Bogdan, the Commission wants the President to be elected in a direct vote and not by parliament.

For its part, the Opposition insists that the President be elected by parliament, partly because the chances of its own candidate being chosen could be increased.

But thee seems to be a growing consensus that any future President should not be head of the executive power, nor should the post be merely ceremonial, like the present one. The idea is that such a post should act as a kind of "balancing act inside parliament and between parliament and the government," said Mr Bogdan.

It is also envisaged that the President should have the power to appoint a government, dissolve parliament under certain circumstances and play an active role in international affairs. But Mr Bogdan yesterday stressed that "the President should not be allowed to interfere in the day-to-day running of the government".

HUNGARIAN officials and international aid organisations in Budapest yesterday were silent about the thousands of East German refugees waiting to leave Hungary for West Germany, writes Judy Dempsey. West German passports were yesterday issued to more than 4,000 East Germans waiting in three camps, two in Budapest and one on the shores of Lake Balaton.

The date of their departure is still being discussed by West German, Hungarian and Austrian authorities. Austrian officials of the state railways yesterday confirmed that additional trains would be organised over the next few days. They also say the exodus could start tomorrow.

It is unclear how many East Germans will leave for the West. Austrian officials put the figure between 15,000 and 20,000. So far, there are 6,000 East Germans registered in the three camps in Hungary.

Big Peugeot investment in new car

By John Griffiths

PSA, THE French motor group embracing Peugeot and Citroen, has invested FFr6bn (£580m) in its new Peugeot 605 range of executive cars, which is officially unveiled today.

Peugeot has begun producing 500 units a week at its Sochaux facility near Basle. It expects to lift output to around 1,250 by the end of this year and to 2,000-2,500 in 1990.

The group is investing FFr9bn at Sochaux, France's single largest industrial site employing 23,000, which, by 1994, should be capable of building several different vehicles simultaneously on robotised production lines at more than 400,000 units a year.

PSA expects the 605 both to substantially boost group profitability and to take it closer to market and production leadership in Western Europe. In the first seven months of this year, the group was ranked third in terms of market share with 12.7 per cent, compared with 14.8 per cent for VW and 15.5 per cent for Fiat.

The 605 is targeted at a West European sector which accounts for roughly 14 per cent of all new cars, equivalent to some 1.7m sales last year.

Last year Peugeot had only a 2.7 per cent share of the sector, and Citroen 1.8. However, this is expected to rise sharply as a result of the introduction of the XM, Citroen's own new executive sector candidate in March. PSA has invested FFr7bn in the XM alone. In April it announced operating profits for last year of FFr17.6bn, up from FFr11.6bn the previous year.

Technology, Page 39

Summit opens with foul weather warning

Argentine President Carlos Menem (right) greets Yassir Arafat in Belgrade yesterday at the ninth annual summit of the Non-Aligned Movement.

President Carlos Menem, in his speech to the summit, said Argentina would continue to seek sovereignty over the Falkland Islands but pledged to do so through negotiations with Britain, Reuter reports from Belgrade.

President Robert Mugabe of Zimbabwe, meanwhile, stepped down as chairman of the Non-Aligned Movement at the Belgrade meeting with a warning to his Yugoslavian successor not to dilute the organisation's principles for the sake of reform.

Comparing the movement to "a ship tossing in troubled waters," President Mugabe said in his farewell address that fresh winds on the international scene would not automatically blow it in the right direction.

"We have to take control and pilot the ship into port, otherwise the wind might blow us into the cliffs," he said.

"Our rejection of imperialism, colonialism and racism – including zionism – is based on fundamental principles and is not negotiable," he said.

Yugoslavia, the new chairman, is promising to modernise the movement and says outdated ideological stands should be dropped. But many nations are resisting.

President Mugabe acknowledged that the Third World's economic plight had got worse during the 1980s and that little progress had been made in opening a dialogue with the developed world.

His bleak view of the economic picture facing the movement was echoed by former Tanzanian president Julius Nyerere who said there was nothing to suggest the economic situation would improve.

"Our people are constantly being called on to tighten their belts and make sacrifices – why? So that northern banks can balance their books and make a profit," he said.

Mr Nyerere said the non-aligned countries must overcome their disunity to negotiate successfully with the developed world and plan their own economic strategy.

"The Non-Aligned Movement cannot afford to forget that imperialism is not dead. We do not follow through the logic of working together," he argued.

"This movement, despite the efforts of our chairman, hardly exists between summits."

Executives deny arms smuggling charges

By John Burton in Stockholm

THREE former executives of Bofors, the Swedish armaments company, pleaded not guilty yesterday to charges of arms smuggling at the beginning of a trial which could damage the Government's reputation as a promoter of international disarmament.

The three admit that they shipped anti-aircraft missiles and ammunition to the Persian Gulf, an area ruled out of bounds by Sweden's strict arms export laws, but claim they did it with the covert consent of the Government.

Former Bofors managing director Martin Ardbo, sales director Lennart Palsson, and export director Hans Ekblom are charged with smuggling 300 RBS-70 anti-aircraft missiles to Dubai and Bahrain in 1979 and 1980 and anti-aircraft shells to Oman in 1985.

The charges are the result of a four-year investigation into allegations that Bofors engaged in widespread illegal arms sales to the Middle East and south-east Asia. Similar accusations have been levelled against FFV, the state-owned arms firm.

The three accused have received unexpected support from the Swedish Peace and Arbitration Society, whose complaints originally triggered the investigation into the company's affairs. The society also contends that Bofors received secret government backing in its deals.

The pacifist group claims that the Government saw the illegal exports as the only means of keeping the country's arms industry profitable at a time of defence budget cutbacks.

Several independent judicial and parliamentary investigations have found no evidence of government complicity, but three former foreign trade ministers, who had responsibility for approving arms sales, will be called to testify during the trial.

A trial of an official from Nobel Kemi, Bofors' sister ammunitions company, concerning the smuggling of gunpowder to the Middle East ended in an acquittal earlier this year.

Dutch election outcome on a knife edge

By Laura Raun in Amsterdam

THE NETHERLANDS goes to the polls tomorrow with the Christian Democrat-Liberal coalition Government neck-and-neck with the opposition Labour Party, according to the latest public opinion poll.

It suggests the centre-right coalition, led by Mr Ruud Lubbers, would win 75 of the 150 seats in the Tweede Kamer (lower house), one short of a governing majority. InterView, the polling concern, said the coalition's chance of maintaining its majority was 50-50.

The Christian Democrats would remain the largest party in Parliament with 53 seats. They are expected to try to form a coalition with the right-of-centre Liberals if the two keep their governing majority. Their partnership, which ruled under Mr Lubbers since 1982, collapsed last May in disagreement over the financing of a comprehensive environmental clean-up plan.

The opinion poll suggests the Liberals, who brought the Government down, would lose five seats – apparently as punishment by the electorate – and end up with 22.

If the old coalition cannot be re-established, the Christian Democrats are expected to turn to Labour, led by Mr Wim Kok. The Socialists, in opposition benches for most of the past decade, are on course to win 49 seats, according to the opinion poll – three less than now.

The InterView poll, among the last before the general election, was considered decisive last time in 1986. Mr Maurice de Hond, head of the company, believes many voters switched to the Liberals at the last moment because his poll forecast that the governing coalition would lose its majority.

The biggest winner would be Green Left, a new alliance of four left-wing parties (Pacifists, Radicals, Communists and Evangelicals but excluding the Green party) which champion environmental issues. It would capture eight seats, up from three now, apparently siphoning vates from Labour.

W German growth 'will exceed 3%'

ECONOMIC GROWTH in West Germany next year is likely to exceed current forecasts and grow by at least 3 per cent, *Finance Minister Theo Waigel* predicted yesterday, Reuter reports from Bonn.

Mr Waigel's estimate for Europe's largest economy was more optimistic than that made last month by Economics Minister Helmut Haussmann.

Mr Haussmann estimated that Gross National Product (GNP) growth in the 1990's would be between 2.5 and 3 per cent.

"In 1990 we are likely to have a three before the decimal point," Mr Waigel said in a speech to parliament during the first reading of next year's federal budget.

The Government expects a 1989 growth of 3.5 per cent, but the Bundesbank, West Germany's central bank, says growth of more than 4 per cent is possible.

Mr Waigel said budgetary constraint was a key objective of government policy despite plans for a higher federal budget deficit next year. He said the 1990 deficit was expected to rise to DM33bn ($17bn) partly because of the introduction of income tax cuts as part of a major tax reform programme introduced this year.

"Our decisions are still based on cutting expenditure and deficits," Mr Waigel said.

The budget deficit this year was likely to fall to below DM25bn from a previous forecast of about DM28bn, Mr Waigel said.

Swedish union aims to chart a high-tech course for industry

Robert Taylor reports from Stockholm on plans by the powerful Metalworkers to encourage change in the economy

'SWEDISH INDUSTRY is not finding it profitable enough to invest in new technology. We must make sure that we pursue the policies that will make the companies do so. Mechanisation is not a threat to our members but necessary for the country's long-term survival.'

This statement by Mr Ingmar Gorensson is the modern language of Swedish trade unionism. He is one of the main authors of an ambitious and radical programme for the next decade by the powerful Metalworkers Union which is being debated at the union's congress in Stockholm this week. "What we want is not something you would hear perhaps from most British unions I know," he says.

The union has always taken a positive view of structural change in industry. Earlier this decade it co-operated in the rapid rundown of Sweden's steel and shipbuilding industries. Now it is ready to press for the abolition of tens of thousands of what it regards as dirty, unskilled dead-end jobs in the country's old manufacturing sector.

"It takes a strong union like ours , not being in competition with others, to adopt such an attitude," he admits.

"The big difference between us and Britain is that here we have full employment, a comprehensive training and labour market policy and a welfare state to ease the pain of industrial restructuring," he says. "If we hadn't, I am sure we would behave just like a British union because our members would force us to do so."

In fact, the union's new strategy demands an upheaval in Swedish manufacturing. In their analysis Mr Gorensson and his co-authors point out that their country's industrial recovery in the 1980s was due to an upturn in the large internationally-minded companies in smoke-stack industries like engineering, car production and pulp and paper. This underpinned the persistence of a large unskilled and semi-skilled workforce doing monotonous and dangerous jobs, which, they claim, has worsened the problems of high labour turnover and sickness absenteeism.

The report also blames the Government's policy of high interest rates and low labour costs. "It was a very anti-Swedish way out of the crisis," asserts Mr Gorensson. "Traditionally we have favoured low interest rates and high labour costs to ensure the success of the Swedish model."

But the positive union attitude to the necessity for structural change also emerges from an utterly different philosophy of industrial relations than that in Britain. The Metalworkers have always been at the forefront of the campaign for wage solidarity.

"We have never accepted that a worker's pay should be determined by the size of a company's profits or labour market laws of supply and demand. Our basic aim has always been to try to minimise market influences on pay determination," says Mr Gorensson. As a result, negotiators at industry-wide level have sought to ensure that wage levels between workers in the same plants and between plants remain broadly similar to the rest of the Swedish labour market.

Wage solidarity has meant negotiating on a centrally agreed wage norm applicable to all companies. Those that could not pay it went out of business; profitable employers paid less than they could afford. The problem, as Metalworkers' leaders admit, is that an egalitarian wages policy in a successful market economy has enabled some companies to accrue very large profits but also ensured worker mobility from the poorer employers to the richer.

Now Mr Gorensson and his colleagues want to pressure the companies into fundamental change, to use their liquidity to develop high technology products in areas like energy and communications which will generate more interesting and skilled jobs.

The Metalworkers are anxious to see the growth of socially useful production, linking market needs with community aspirations. This would mean union negotiators demanding that employers invest in high technology products both through collective bargaining and the industrial democracy system that gives the union a voice in company decision-making.

It would also mean establishing a government policy to encourage private companies in the same direction, perhaps through a more discriminatory approach to public contract tendering and purchase as well as a differential form of corporate taxation.

Says Mr Gorensson: "We in Sweden can never be competitive in low-tech production. We should take advantage of our highly developed education system to build up and use an even more skilled and flexible workforce." This would mean fewer workers in manufacturing, but he believes the union would accept a contraction in the workforce so long as it does not lead to unemployment.

But he also admits that the union does not yet see how the technological change can be brought about. "Our policy at the moment is presenting a challenge and not an answer."

Indeed, the process might not be particularly smooth. The pressures undermining the socially cohesive system of Swedish industrial relations have grown much stronger during the 1980s as market forces have begun to fragment shopfloor opinion.

Half the average metalworkers's pay is now decided locally and not at national level, so that supply and demand, company ability to pay and individual effort play a much larger part in wage determination than they used to. Moreover, much to the distaste of Metalworkers' leaders, many members have accepted convertible loans from their profitable employers, providing them with windfall gains linked to the impressive performance of their companies.

Mr Gorensson wants the convertibles taxed even though this will hit his members' living standards. By contrast, traditional shareholders would not suffer such consequences. In fact, the union is trying, in his words, to "regain control at the centre." That may prove difficult to achieve in today's acquisitive climate.

Recently, Mr Gosta Rehn, Sweden's legendary influence on post-war economic policy-making, rang Mr Gorensson to encourage him in his visionary efforts. "What you are trying to do is the same as we did 30 years ago," he told him. Indeed, the Metalworkers' plan is very much a new policy based on old values.

The challenge for Sweden's most influential union will be to convince its own rank-and-file that this makes sense. For his part, Mr Gorensson has no doubts. "We won't survive as a country unless we stay competitive. The crucial question is how we are to be competitive with our resources. The future of the Swedish welfare state means we must have a strategy to restructure working life."

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Spanish opposition picks poll candidate

Spain's Popular Party, the country's main opposition group, yesterday picked Mr José María Aznar, a 35-year-old regional politician, to challenge Mr Felipe Gonzalez, the socialist Prime Minister, in a general election on October 29, Reuter reports from Madrid.

Mr Aznar, a former tax inspector who has been a member of parliament for seven years, was chosen by the national leadership of the Popular Party by an overwhelming majority.

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Bush returns from vacation to speed N-arms diplomacy

By Lionel Barber in Washington

PRESIDENT George Bush returns to White House business today reinvigorated by a three-week seaside vacation and braced for a new round of high-level diplomacy with the Soviet Union.

Senior officials have prepared a new proposal on chemical weapons, and there are reports that some of Mr Bush's advisers would like to see faster progress on a pact with the Soviet Union to reduce strategic nuclear weapons.

In this context, Mr James Baker, Secretary of State, is due to meet his Soviet counterpart, Mr Eduard Shevardnadze, in Wyoming on September 22-23 to discuss the full range of bilateral issues. If successful, the talks could produce a date for a summit of Mr Bush and President Mikhail Gorbachev.

Mr Bush's first priority, however, will be domestic politics. Tonight, he is to deliver the first televised address to the nation since he took office in January, unveiling an $8bn package to tackle drug abuse in the US.

The address from the Oval Office used to be a favourite device of President Reagan. Mr Bush, who has a habit of scrambling his syntax and has studiously avoided copying his predecessor's style, apparently took some persuading to appear before the cameras.

His eventual decision to go "live" reflects the high political stakes involved. Opinion polls show drug abuse is the main issue troubling the American public, well ahead of relations with the Soviet Union and the economy. Mr Bush's package will focus on more rigorous law-enforcement, including more money for building prisons and far tougher penalties for the casual drug user.

The Democratic Party majority in Congress has already opened its counter-offensive, declaring Mr Bush's plan does not provide enough money to fight a skirmish, let alone a war, on drugs. However, faced by a formidable budget deficit and a popular president still resistant to new taxes, the Democrats are unlikely to persuade voters that more spending is the answer.

Greater friction between Congress and the president on tax and spending issues may arise in the next few weeks, against the backdrop of the October deadline for reducing the budget deficit to $100m according to the Gramm-Rudman law. If Congress does not keep federal spending and revenue in line with the budget targets by October 15, automatic spending cuts would then follow.

Mr Bush, meanwhile, continues to press for a cut in capital gains tax. This has infuriated Democratic leaders but it enjoys widespread support among the rank-and-file in the House of Representatives. A win for Mr Bush on capital gains would hand the Democrats a stunning defeat.

He plans to travel extensively around the country in the autumn, promoting his drug policy, his budget priorities and better education. Abroad, he will attend a summit of hemispheric leaders in Costa Rica – his fifth foreign trip since taking office.

Mr Bush has enjoyed a conspicuously healthy holiday in Maine, where he golfed, drove about in a speedboat and, amid great delight, caught his one and only bluefish last Sunday. The frenetic activity contrasts with his innately cautious approach to foreign policy, particularly in the first few months in office. It may signal that a confident US leader is now ready to increase the pace of diplomacy with Moscow.

US party alignments puzzle professors

By Peter Riddell, US Editor, recently in Atlanta

THREE successive Republican presidential victories, control of the Senate by different parties at different times, and continued Democratic Party domination of the House of Representatives over the past decade have produced deep divisions among US political scientists about the behaviour of American voters.

The annual four-day convention of the American Political Science Association in Atlanta – which attracted as many as would attend a Conservative Party or Labour Party conference in Britain – shows there is no unanimity about whether there has been a fundamental realignment of US voters as a result of the Republican presidential successes.

Professors Merrill Shanks of the University of California at Berkeley and Warren Miller of Arizona State University have argued that shifting voter loyalty during the 1980s, leading to the election of President George Bush, have "produced a massive party realignment, finally ending the New Deal-initiated Democratic hegemony."

In the 1980s, a previous Democratic advantage in voters' identifications with a party of 10 to 13 percentage points, has been wiped out by the Republicans, while the latter's gains have extended from primarily the South to the whole country. This suggestion of durable change is, the professors argue, "unlikely to disappear by 1992 (the date of the next presidential election)."

However, Professor Herbert Weisberg of Ohio State University has argued that Republican hopes of realignment have not yet been fully realised. "Partisan shifts were in the Republican direction, but the changes were small."

Likewise, Professor Martin Wattenberg from the University of California at Irvine argued that any realignment was hollow in that, while more voters called themselves Republican, fewer had any real opinions about political parties.

Looking at the continued divided control by the parties of the White House and Congress, Professor Byron Shafer from Nuffield College, Oxford University, argued that the US has "a highly distinctive electoral order" which has little to do with realignment. Republican control of the presidency was, for him, a reflection of growing conservatism in foreign affairs and cultural values, while Democratic control of the House resulted from enduring liberal opinions on social and welfare questions.

More drug war aircraft arrive in Colombia

By Sarita Kendall in Bogotá

AEROPLANES and helicopters sent by the US to support President Virgilio Barco's anti-drug drive have begun to reach Colombia.

On Sunday two C-130 transport aircraft arrived here, and eight light combat jets were due at the northern port of Barranquilla late yesterday. Five more helicopters will reinforce police units today.

The UK – which recently sent small arms, forensic and communications equipment to the police – promised further help when the British ambassador visited Mr Barco on Friday. Other EEC countries are also expected to provide equipment and technical assistance.

Mayhem broke out again yesterday morning when gunmen burst into the airport at Medellín, home city of many of the big drug dealers, and fired at passengers waiting to board flights. Two people, including one of the gunmen, died and 12 were injured.

In the last two weeks, cocaine trafficking groups have struck with a rash of bombings in Medellín.

The national daily newspaper El Espectador, whose main office in the capital Bogotá was badly damaged by a car bomb early on Saturday, brought out its Sunday and Monday editions. The car bomb was left in a petrol station close to the offices and printing plant.

More than 70 people – most of them on the main avenue outside – were hurt. Journalists swept up the rubble and restarted work. An editorial reaffirmed the paper's determination to keep up its fight against drug traffickers.

Japan set to offer Mexico aid package worth $2.5bn

By Richard Johns in Mexico City

A FINANCIAL aid package for Mexico worth at least $2.5bn (£1.5bn) is the likely outcome of the three-day visit to Mexico of Mr Toshiki Kaifu, Japan's Prime Minister, who arrived here last night.

Full Mexican participation in the Pacific Basin trade grouping and the prospects for increasing non-oil exports to Japan are expected to be Mexican priorities. Environmental conservation is also high on the agenda.

In mid-July, shortly before Mexico concluded its outline agreement on rescheduling and reduction of $47bn of commercial bank debt, the Japanese embassy in Mexico confirmed Tokyo would lend $2.5bn through the Japanese Export-Import Bank, $1.5bn to be co-financed with the World Bank, and $1bn with the International Monetary Fund.

The Exim Bank funding will be made available on generous terms, with grace of six-to-seven years and repayment over 25 years at low interest rates, Mr Ryukichi Imai, Japan's ambassador to Mexico, was quoted as saying recently.

Part of the money, with aid from the World Bank and the IMF, will be earmarked to to guarantee interest payments to the banks under the accord concluded on July 20.

At the end of last year, Japan was Mexico's second biggest creditor, with loans outstanding of $15.3bn which accounted for 18.9 per cent of the total, according to Mexican statistics.

A proportion of Japanese aid is expected to be devoted to the struggle against pollution in the Valley of Mexico. But a report from Tokyo that Japan would set aside $1bn to support Mexico in its campaign against environmental contamination has been denied.

An accord between Mexico and Japan on the prevention and control of pollution was signed last week.

Mexican oil exports are also likely to figure in the exchanges. Early in June, Japan confirmed its commitment to renew next year its 180,000 b/d crude purchasing contract, accounting for about 13 per cent of Mexican exports and 5 per cent of Japanese requirements. But Mr Francisco Rochas, director-general of the Mexican national oil company Pemex, apparently failed to secure a long-term accord.

More Panama sanctions likely

By Tim Coone in Panama City

FURTHER US economic sanctions against Panama are expected to be announced today, following Washington's refusal to recognise the provisional government of President Francisco Rodriguez.

He was sworn into office on Friday, promising new elections only when the US had lifted sanctions.

Western diplomats in Panama also predict an intensification of US military manoeuvres to increase pressure on General Manuel Antonio Noriega, head of the Panamanian Defence Forces (PDF) and *de facto* ruler of the country.

For the US Government and Panama's political opposition, a solution requires Gen Noriega's resignation. For him, the PDF and the ruling Democratic Revolutionary Party (PDR), though, to step down under US pressure is tantamount to the surrender of Panamanian sovereignty.

Control of the Panama Canal, now in US hands, is to pass to Panama in 1999, under the bilateral treaty of 1977. But the nationalist Gen Noriega claims that US pressure on him is intended to prevent the removal of US military bases from Panama after 1999. The treaty could allow this.

The arrival of US military aircraft and pilots in Colombia last weekend, to join the drug war there, strengthens his case. They refuelled in Panama at US military bases.

The Colombian drug barons thus have a vested interest in Gen Noriega, in that his intransigence at an important logistical spot could make US military interventions more difficult south of Panama.

The main effort to shift Gen Noriega continued to focus on bankrupting his government and his close political associates. Trade sanctions aimed at specific companies owned by Noriega allies, and/or a ban on Panamanian-registered ships from US ports, are the latest measures under consideration in Washington.

More ships now appear on Panama's shipping register that on any other. Payments for ship inspections and annual registration fees, through Panamanian consulates abroad, are thought to be important in the Noriega government maintaining political patronage.

The opposition campaign against the government is also directed at the economy.

Belizeans vote amid passport controversy

By Canute James in Kingston

THE CONTROVERSIAL sale of thousands of acres of land to foreigners, the unorthodox availability of Belizean citizenship, and unemployment were main issues in the Belize general election yesterday.

The incumbent United Democratic Party, led by the Prime Minister Mr Manuel Esquivel, was expected to lose ground in a close contest with the Peoples' United party of former premier Mr George Price. In the last election in 1984, the UDP won handsomely, taking 21 of the 27 seats and ending three decades of PUP rule.

Feeling is high over land sales to foreigners, and the presentation of Belizean passports to foreigners, mainly from the Far East, who purchase "citizenship bonds" by lending the government $25,000 interest-free for 10 years.

Unemployment, at 15 per cent for the past eight years, is expected to give the PUP a big slice of the youth vote.

The economy of the former British colony of 166,000 people, on the east side of Central America – based on sugar, bananas, citrus and tourism – grew by 7 per cent last year.

Liberals win support in Quebec poll campaign

By Robert Gibbens in Montreal

MR Robert Bourassa, Quebec's Premier, and his Liberal Party have gained popularity halfway through the provincial election campaign.

Voters will go to the polls on September 25.

Bourassa: gaining

A Sorecom poll, considered the most reliable, and taken between August 25 and 29 in the Canadian province, showed 48 per cent support for the Liberals, against 38 per cent for the opposition Parti Quebecois, led by a former finance minister, Mr Jacques Parizeau.

The Liberals admit their campaign was damaged by the recent refusal of dockers at Liverpool to handle toxic waste sent from Quebec for incineration in Britain, but believe their subsequent action late in August, when the waste was returned to Quebec and protestors were handled firmly, turned public opinion.

Mr Bourassa, an economist, was first elected in 1970 as Canada's youngest ever provincial premier. He lost to the Parti Quebecois in 1976 when unions shifted towards separatism.

After nine years of PQ rule, Mr Bourassa won a victory in December 1985 in an extraordinary political comeback. He now seeks re-election on his economic record and "special status" for the francophone province, negotiated with Canada's federal government.

The Liberals' poll rating was up to 48 per cent, from 44 per cent and 37 per cent variously earlier in August.

The latest poll also indicates that support is leaving the Equality Party, formed to attract the votes of English speakers who have been protesting against Mr Bourassa's refusal to allow other than French commercial signs in Quebec.

South Korea plans radical reforms to update tax system

Maggie Ford reports on changes aimed at ironing out economic distortions and making more homes available

SOUTH KOREA plans tax and fiscal reforms over the next 18 months aimed at revolutionising the country's economic structure.

The country should emerge from the reforms with an advanced internal economy, a Western-style tax system and a much more even distribution of wealth.

The reforms, unveiled by the Government this week, are designed to avoid some of the byproducts of economic success apparent in Japan and Taiwan which are already evident in South Korea. In all three countries the increasing wealth generated by trade surpluses has created a boom in property prices and a rapid increase in the value of financial assets such as stocks.

In South Korea last year the increase in land prices amounted to Won 68,000bn (£57bn) equal to 55 per cent of the country's gross national product. A class of speculators has benefited from the countries' economic boom, provoking increasing complaint from the middle and working classes who find home ownership moving beyond their reach and a widening income gap between the "haves" and the "have nots".

The growth in speculation and the income gap have been exacerbated in South Korea by the country's immature fiscal system. Speculators and other rich people have been able to avoid tax because of a system where real names do not have to be revealed when purchasing assets, either land or shares. Even bank accounts may be opened in false names.

Income tax has fallen mainly on middle class salary-earners and skilled workers employed by big companies. The South Korean Government has had little revenue for spending on anything other than education and defence for years.

The reforms aim to change this system over an 18 month period. They cover four main areas:

■Computerisation of records on property transactions will be completed by January 1, 1990, after which punitive taxes of 6 per cent of land value every year will be levied on speculators, especially big companies, holding land zoned for housing without developing it.

A special windfall gains tax will be introduced on property which is being held in the hope of price rises, whether it is sold or not. Also, should the price rise by more than the average when the property is sold, a 50 per cent excess gain tax is to be levied on the increase beyond the average rise. This should reduce the current shortage of homes – only 1.9 per cent of South Korea's land is suitable for homes, 89 per cent being either mountains, forests, rivers or agricultural land.

■The domestic rates system will be reorganised so that owners of property will be assessed on market value rather than cost of construction. This will raise property tax revenue from 1.8 per cent of the total to around the 5 per cent level in more developed countries and will remove a benefit enjoyed almost exclusively by the rich.

■Families or individuals holding several properties apart from their main home under different names will be taxed at a higher rate. This may create some difficulties for older middle class parents who have bought flats for their children for fear that prices will rise beyond reach later. However, if prices stabilise, they should eventually benefit.

■In January 1991, real names will be introduced for financial transactions and a study is underway on capital gains taxes. The Government will introduce a "real name exercise" in the middle of next year to explain the idea and to enable people to plan how best to invest their assets under the new system.

Banks, insurance companies and securities firms are presently devising new products to offer investors. Particular attention will be paid by the authorities to those with no apparent income but who live in luxury.

The new proposals have been greeted with enthusiasm by the vast majority of the public. But the Government expects strong resistance from big companies and the rich.

Bills will shortly be introduced into the National Assembly to enable the reforms to be introduced. Strong opposition can be expected in some sectors, especially among MPs who are themselves landowners.

But the strength of public opinion in favour of the changes is likely to deter the opposition parties, which have a majority in the Assembly, from voting against the plan.

After the land and stocks reforms are instituted, the Government is expected to turn its attention to corporate taxation and the reform of the financial system.

Buddhist anger over education corruption charges

By Maggie Ford in Seoul

A South Korean Government attempt to crack down on corruption in the education system has succeeded only in enraging the country's Buddhist community, nominally half the population.

The president and chairman of Seoul's Dongguk University, both Buddhist monks, along with a professor and two officials, were last week arrested and charged with corruptly receiving Won2.13bn (£2.05m).

Prosecution officials alleged that they had admitted 46 unqualified students to the university through falsifying their entrance examination results.

Competition for places at top colleges is fierce. Six riot policemen were killed earlier this year in the provincial city of Pusan in a petrol bomb incident which started as a demonstration against unfair admissions.

The prosecution has charged the Buddhist scholars with accepting up to Won100m from students (a place in the medical faculty was alleged to be the most costly) in return for upgrading their examination answers at the university computer centre to achieve the necessary results.

Corruption in the education system is regarded as a serious problem by many parents in South Korea, but criticism has grown over the arrest of such senior scholars.

At a leading temple 200 monks demonstrated yesterday against the arrests and 300 professors at the university strongly protested against what they described as victimisation. Meanwhile, unrest at high schools over the Government's sacking of more than 1,000 teachers who are trying to form a union is spreading. *A school principal* was pelted with rotten eggs and ejected from his school in the provincial city of Kwangju for complaining to the police about a sacked teacher who continued to report for work.

In Ulsan, another provincial city, the teachers' union office was attacked by thugs armed with steel pipes and four teachers were injured.

Moscow warns over attacks on Kabul

THE Soviet Union warned Afghan rebels yesterday against further attacks on Kabul airport following a rocket attack that killed 18 people and injured 52 others, AP writes from Moscow.

Mr Vadim Perfiliyev, a Foreign Ministry spokesman, read a statement at a news briefing denouncing the attack on Saturday in which more than 20 rockets were fired at the airport.

"The Soviet Union cannot remain indifferent to terrorist actions of Peshawar mercenaries, to their firing on the Afghan airport because they endanger the lives and safety of Soviet citizens and there is regular civil air traffic between Moscow, Tashkent and Kabul," the statement said.

Soviet troops withdrew from Afghanistan on February 15, but a limited number of diplomats and advisers remained behind.

Mr Perfiliyev declined, however, to say what specific actions the Soviet Union would take in the event of future attacks on the airport.

UN official backs sanctions

Economic sanctions are the best weapon against South Africa's apartheid race laws, a UN official said yesterday, Reuter reports from Geneva. "Sanctions do work and they are the only peaceful means of bringing apartheid to its heels," Mr Joseph Garba, chairman of the United Nations special commission on apartheid and a former Nigerian foreign minister, said.

Yesterday he opened two UN-sponsored conferences on apartheid, one dealing with the need to strengthen international awareness through the media and the other on Pretoria's sanction-busting efforts.

Swapo prison probe

A UN delegation has gone to Angola to investigate claims that the South-West African People's Organisation is still holding prisoners in its camps, a UN spokesman said yesterday, AP reports from Windhoek.

The UN team left on Saturday to inspect the camps at the invitation of Swapo, which says it has freed all its detainees in compliance with the UN plan for independence elections in the South African-ruled territory.

Australian dispute

Australia's domestic airline crisis entered its third week yesterday while the Government considered its options in the gravest industrial dispute since Mr Bob Hawke, the Prime Minister, took office in 1984, AP reports from Sydney. The country's 1,640 domestic pilots walked off the job 16 days ago over demands for a 30 per cent pay increase.

NZ dockers return

New Zealand dock workers returned to work yesterday after a four-day national strike but a rift over an employers' plan to reform the industry remained as wide as ever, Reuter reports from Wellington. Port officials said Waterside Workers Union workers resumed handling cargoes after about 100 ships had been stranded.

Sri Lankan attack

Sinhalese rebels attacked three police stations and two security posts simultaneously in Sri Lanka's central Kandy district on Sunday night, military sources said yesterday, Reuter reports from Colombo. They said the police repulsed the raiders, suspected members of the People's Liberation Front which is trying to overthrow the Government.

Israeli warplanes destroy HQ of militant Palestinian group

By Lara Marlowe in West Beirut

FOUR Israeli jets staged a bombing raid on the southern Lebanese village of Majdal Balhis early yesterday morning, destroying the local headquarters of the radical Palestinian Front for the Liberation of Palestine – General Command (PFLP-GC).

Four guerrillas were reported to have been wounded in the 2am attack.

Later in the morning, Israeli artillery positioned inside Israel's self-declared "security zone" in Southern Lebanon bombarded the market town of Nabatiyeh, wounding seven Lebanese civilians. The town's population has grown from 35,000 to over 200,000 as Moslems fled artillery battles in Beirut for what they believed to be the safety of the south.

The Israeli attacks were in apparent retaliation for three Katyusha rockets fired from southern Lebanon into the northern Israeli region of Galilee last week. The Katyushas caused no casualties but damaged a house in the Israeli settlement of Kiryat Shemona.

The Israeli Government had blamed the pro-Iranian Hizbollah militia for the rocket attacks last week, and it is not clear why the Israeli air force attacked a PFLP-GC rather than a Hizbollah target. Mr Ahmed Jibril, the leader of the PFLP-GC, has allied himself with Hizbollah. The bombardment of Nabatiyeh may have been an attempt to punish Lebanese Shias for the actions of Hizbollah.

Yesterday's bombing raid was only the latest in a series of attacks and counter-attacks which began with the Israeli kidnapping on July 28 of Sheikh Abdul Karim Obeid, a Shia Moslem cleric from the southern Lebanese village of Jibsheet. Mr Hussein Mussawi, a Hizbollah military leader, told a Hizbollah rally in the southern Bekaa valley over the weekend that Sheikh Obeid did not have the importance in the movement that Israel was attributing to him.

Seventeen people have been killed and another 98 wounded in 11 Israeli bombing raids over Lebanon this year. Israel briefly stopped its daily reconnaissance flights over Beirut after reports that the French navy had requested the Israeli air force to suspend its overflights above the city. But two Israeli jets again broke the sound barrier above West Beirut early yesterday afternoon.

Meanwhile, the radical Palestinian Fatah Revolutionary Council (FRC) held a press conference in the West Beirut Mar Elias refugee camp yesterday to announce that it had 'executed' 15 people at midnight on Sunday, including one woman. Younis Amran, the FRC spokesman, said that all of them had been convicted of "spying and collaboration" in individual trials over the past two years.

The FRC showed video-taped "confessions" of all 15, who were identified as 11 Palestinians, 2 Egyptians, 1 Iraqi and a Lebanese. The spokesman declined to say where or how they had been killed.

The 15 had worked for Palestinian organisations and attempted to "infiltrate" the FRC before their arrest, Amran said. Almost all were purported to be double or triple agents, working for Western and Arab intelligence agencies. The founder of the FRC is Sabri al-Banna, alias Abu Nidal, considered the most dangerous and unpredictable of all Palestinian extremists.

The FRC had announced its intention to execute 15 people following the assassination on August 23 of Rabah Abdul Rahim, believed to have been a high-ranking aide to al-Banna. Rahim was killed by gunmen at the entrance to the Ein Helwe Palestinian camp in Sidon.

Gandhi denies cover-up

By David Housego in New Delhi

MR RAJIV GANDHI, the Indian Prime Minister, has denied allegations made by the former head of the Indian army that he was involved in a cover-up of the Bofors scandal.

Mr Gandhi said he had not tried to stop the Defence Ministry from putting pressure on Bofors, the Swedish arms group, to reveal the names of those to whom they had made illegal commission payments to win a large artillery contract. Gen K. Sundarji, former Army Chief of Staff, accused the Premier at the weekend of being directly involved in cover-up attempts.

Talking to reporters, Mr Gandhi said: "The amount of pressure put on Bofors from my office [to reveal names]: I do not think he [Gen Sundarji] knows or could understand. . ."

Meanwhile, the Janata Dal, the main opposition group, announced yesterday that it would launch a country-wide programme to force the Government to quit in the light of Gen Sundarji's disclosures.

Police restraining anti-government protesters outside the house of Home Minister, Mr Buta Singh

Palestinians urged not to kill suspects

UNDERGROUND leaders of the Palestinian uprising yesterday urged fellow Arabs not to kill those suspected of collaborating with Israel unless such attacks are approved by the leaders themselves, AP reports from Jerusalem.

The statement appeared to be aimed at stemming a rash of killings that have left 106 Arabs dead since the uprising began in December 1987. Most were accused of collaborating, and some were suspected of drug sales or prostitution. Nearly two-thirds of the killings have occurred this year.

In the 21-month uprising aimed at ending Israeli rule in the occupied West Bank and Gaza Strip, 557 Palestinians have been killed by Israeli soldiers or civilians and 39 Israelis have died.

Seven Palestinians were reported wounded by army gunfire, including an 18-year-old youth who was in critical condition with a plastic bullet wound to the head. His injury was sustained when soldiers raided the Al Amari refugee camp north of Jerusalem, Arab hospitals said.

Peking cultural purge widens

By Our Foreign Staff

WANG MENG, a novelist who supported the rights of artists to creative freedom, has been ousted as China's Culture Minister, the country's national television news said yesterday.

His dismissal is confirmation that China's new hardline leadership intends to pursue a campaign to purge freer-thinking intellectuals wherever possible.

He is the highest-ranking government official to lose his position since the June 4 military crackdown on the student movement which ushered in a nationwide campaign against Western liberalism.

China Central Television said the Central Committee of the National People's Congress removed Wang, 54, and appointed He Jingzhi, a poet and deputy head of the party Propaganda Department, to take his place. Last month he replaced Wang as Communist Party head in the ministry, an indication that Wang's position was already threatened.

The television news, in explaining his removal, said "Comrade Wang Meng is one of our famous writers (who) repeatedly asked to be relieved of his official posts to concentrate on his writing." While this is a more graceful method of removing him than outright dismissal, it is a pointer to the cultural intolerance now to be expected of the leadership.

Wang has suffered previously for his liberal attitudes. In 1957 he was labelled a rightist for penning a short story which implicitly criticised party hacks. He was not rehabilitated till 1957. He spent the intervening years in Xinjiang, China's huge far-western desert region, learning Uighur, the local Turkic language.

Wang was optimistic about the success of Deng Xiaoping's reforms, however, noting in 1986 when China's intellectual debates were at their freest, that "scholars don't need to be worried about what they think and what they express". His dismissal now will be a signal to all Chinese writers, if they have not already got the message, that period is now closed.

● Intellectuals who have fled China since June 4 are to found a new movement in Paris to promote a change of leadership in Peking, Colina MacDougall writes. The founding of the Front for a Democratic China was announced yesterday by an exiled Chinese official, Chen Yizi.

Chen formerly headed Peking's Institute for Economic Structural Reform, a think-tank set up by the now-dismissed party general secretary, Zhao Ziyang. The front will hold its first congress from September 22-25.

Of Western governments, the French have been the most welcoming to Chinese dissidents, according to Li Lu, the 23-year-old student from Nanjing University who is No. 2 on Peking's most-wanted list.

Li, speaking in London yesterday, said that the organisation would have an important role in the future of China.

"We have changed history. The present government cannot last long. Even officials within the Communist Party disagree with the way the student movement was handled.

"We made people feel that politics was an individual responsibility. Before the democracy movement, they thought only high officials were involved in politics - now they realise it's part of daily life," he said.

Egypt seeks European support

By Tony Walker in Cairo

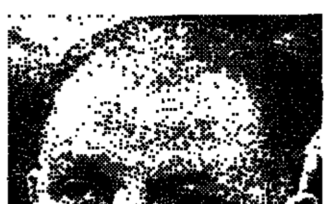
EGYPT this week despatched two senior officials on a tour of European capitals in an effort to drum up support in advance of delicate negotiations with the International Monetary Fund on a new reform package.

The Egyptian envoys' visits to Paris and Bonn coincide with a strong campaign by Cairo to promote a spirit of solidarity among Third World debtor nations in dealings with Western creditors.

Egypt last week sponsored a three-day international seminar on Africa's $240bn foreign debt. Egypt itself is Africa's most indebted nation with foreign debts of about $50bn.

A team of senior IMF officials is expected to return to Egypt this month to finalise negotiations on a standby arrangement that would facilitate a second Paris Club rescheduling of some $10bn of official debt.

Egypt, whose sources of new credit have all but dried up, is anxious to continue a process *of orderly rescheduling* in the hope that this will encourage fresh assistance from abroad. Western officials report that Egypt and the IMF are relatively close to signing a letter of intent, but that some differences over the the budget deficit remain.



Abu Ghazala: special case

Dr Atef Ebeid, Egypt's Minister of Cabinet affairs, and the former Defence Minister and now special presidential adviser, Abdel Halim Abu Ghazala will lobby top French and German finance ministry officials in an effort to persuade them that Egypt is a special case and deserving of lenient treatment.

The IMF's 1987 standby agreement with Egypt was one of the most liberal it had ever negotiated, but the arrangement collapsed within a few months after Egypt failed to meet performance targets on reductions in its budget deficit.

Mr Atef Sedki, Egypt's Prime Minister, said this week that the two envoys were being sent *to Europe "in the framework of* current consultations between Egypt and some international financial institutions, like the IMF and the World Bank".

Egypt also has its eye on the forthcoming annual meetings in Washington of the IMF and World Bank to be held between September 26 and 28.

Mugabe: warned whites

Mugabe puts land issue at forefront of political agenda

Tony Hawkins examines the Zimbabwe leader's proposals for compulsory acquisition of white-owned farmland

LAND is back on the political agenda in Zimbabwe, with potentially far-reaching repercussions for *the country's economy.*

President Robert Mugabe has raised the possibility of amending the country's constitution next April to enable the Government to acquire compulsorily white-owned commercial farming land, rather than purchase it on a "willing-seller, willing-buyer" basis, as under the present rules.

The only surprise in this development is that the land issue – which lay at the heart of the guerrilla war that lead to independence in 1980 – has lain dormant for so long.

When it took office nearly a decade ago the Government pledged to resettle 162,000 families by 1985. Latest figures show that only 52,000 families have been resettled. Both President Mugabe and Mr Joshua Nkomo, leader of the minority Zapu party, have bluntly told the country's 4,200 white farmers to make more land available or face the spectre of compulsory acquisition.

With *government popularity* at a low ebb and elections due some time next year, this is a surefire vote-winner.

The existing land dispensation is clearly inequitable.

'The redistribution policy could stop the foreign investment drive in its tracks'

Even after the sale of some 3m hectares of commercially-owned land, the 4,200 (mainly white) commercial farmers still own a third of land area. Some 750,000 communal farmers in the areas traditionally reserved for blacks, and where there is no freehold tenure, own 42 per cent. A further 3.5 per cent is in the hands of the small-scale black commercial farmers and nearly 7 per cent is occupied by black families living on land resettled since 1980.

Thus the case for land resettlement, on grounds of fairness *at least, is overwhelming.* Whether it can be made to stand up economically is quite another matter. It is flawed – perhaps fatally so – for several reasons.

● It is a once-off operation. It might be possible to find enough land to satisfy the present generation. But with the population growing at 2.9 per cent annually, land hunger will soon revive (unless the spread of Aids in Zimbabwe takes a dramatic toll, as some doctors fear).

● Implementation of the resettlement programme to date has been weak. No effort has been made to select settlers on the basis of farming ability with the result that, all too often, those who have been given land have failed to make good use of it.

● Land redistribution will not solve the rapidly worsening unemployment problem. Commercial farmers insist that only in exceptional instances will *small-farm settlement* generate increased employment. At worst, there could be a decline, since resettlement could result in fewer families, possibly with lower incomes, living on commercially-owned land than at present.

'Industry and commerce now face the accusation that they are blocking black advancement'

But even if this is wrong, and even if, as some government officials claim, there are vast tracts of under-utilised commercial land that could be farmed profitably, there is a further problem. The education system is turning out school-leavers seeking employment in towns and cities as bank-clerks, computer programmers, salesmen, secretaries and receptionists, not as peasant farmers.

It is clear that the formal economy will not generate anything like enough jobs for the 300,000 secondary school-leavers - with O-level and A-level qualifications - that will flood the market each year from 1991 onwards. But it's equally clear that few of them will be satisfied with a few hectares of land in the rural areas.

The economics of agriculture in Zimbabwe militate against radical land redistribution. While the small-farm sector raised its share of marketed output from less than 6 per cent in 1980 to 20 per cent last year, there are signs that has levelled out and that in future the rate of increase will be far slower. Furthermore, because there is little irrigation in the communal areas, output is heavily dependent on favourable climatic conditions.

Not only do the commercial growers produce 80 per cent of marketed output, they dominate the export crops, with the exception of cotton. In 1989, peasant growers are expected to produce 1.2m tonnes of maize, compared with 750,000 tonnes in the commercial areas. They will also deliver just over 60 per cent of the 270,000 tonnes of cotton.

'Policy may have the short-term advantage of winning votes at expense of development'

But virtually all the tobacco, beef, soyabeans and horticulture production emanates from the commercial areas. It is these products, along with tea and coffee (where there is increasing peasant production) and cotton that account for more than 40 per cent of Zimbabwe's exports each year.

Above all, there is the very real danger that the foreign investment drive will be stopped dead in its tracks not just be compulsory acquisition of white-owned land, but also by other electioneering promises.

Instead of relaxing price controls as promised at the London investment conference in May, these have been consolidated. The futility of the policy is reflected in the fact that inflation today at 15 per cent is higher than before the price freeze was imposed two years ago.

Meanwhile, industry and commerce are also under attack, accused of blocking black advancement. While both this and the price control regulations have strong voter appeal, as do threats to appropriate white farmland, they are powerful deterrents to new investment. The danger is that this short-term strategy will win votes in 1990 at the expense of longer term economic development.

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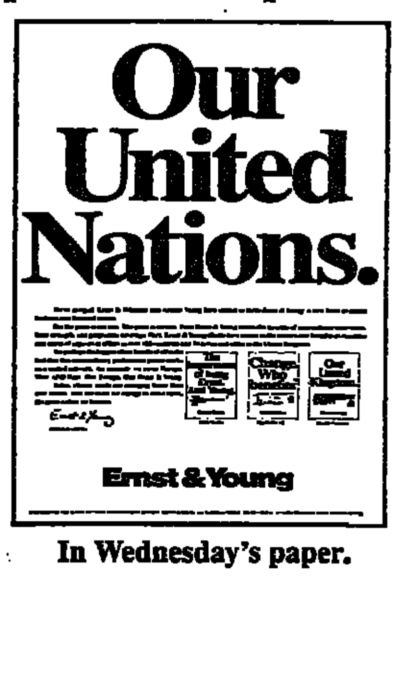

In Wednesday's paper.

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WORLD TRADE NEWS

Stromberg phone deal challenges Canada monopoly

By Terry Dodsworth

STROMBERG-CARLSSON, the US subsidiary of Britain's GPT telecommunications group, has made a breakthrough in the Canadian market with an order from the Manitoba Telephone System valued at $10m-$20m.

The contract puts Stromberg in the leading position as a challenger to Northern Telecom, the Canadian telephone exchange manufacturer which has a virtual monopoly there.

Northern has captured a significant position in the US for the latest generation of digital switches, but up to now has defended its position in its tightly regulated domestic market.

Mr Tony Cobb, president of Stromberg, says the deal comes at an important time because of the moves to liberalise the telecommunications industry in Canada. He believes the Canadian market will become more like that in the US, where competition has created a range of new opportunities for both equipment and service suppliers.

The Manitoba agreement is for installing exchanges at about 50 sites as part of the telephone company's digital switching modernisation plan.

Manitoba Telephone System is responsible for all telecommunications in Manitoba Province.

The switches being supplied range between 10,000 and 20,000 lines. Stromberg is strongest in this range of medium-sized switches, which Mr Cobb said were well suited to the rural environment in Manitoba.

Stromberg is currently working with GPT, the telecommunications group at the centre of the current takeover battle between GEC and Plessey, on plans to develop larger-capacity switches using GPT technology.

Boeing orders

Canada has ordered six Boeing 767-300 extended range aircraft for C$700m (£333m), with options on 12 more worth C$1.5bn, Robert Gibbens reports from Montreal.

The first six are scheduled to be delivered by Boeing in 1993. Air Canada will pay for the aircraft with internally generated funds and future debt financing.

Latvia to barter fish for Danish trawler know-how

By Hilary Barnes in Copenhagen

A BARTER DEAL in which fish from Latvia will be exchanged for advanced trawler equipment supplied by the Danes has been concluded between a private Danish fish exporter and a Latvian fishing co-operative.

The fish-processing industry on the Danish Baltic island of Bornholm is suffering from a lack of raw materials as a result of quota restrictions in the Baltic and the North Sea, but the Latvians do not exploit their own quotas to the full, Mr Ole Basse Mortensen, a Bornholm fish exporter, said.

He has, as a result, agreed to buy 3,000-5,000 tonnes of Latvian cod this winter. It will be supplied by six trawlers from a Latvian co-operative. In return, the trawlers will be fitted out with advanced echo-sounding and other equipment unobtainable in Latvia.

The Latvian fishermen will also receive instruction in modern trawling techniques from Bornholm fishermen.

One reason why the deal was possible, it seems, is that cod is not regarded with favour by Latvian consumers. Mr Mortensen, a well-known figure in the Danish fisheries world, made the deal on a purely private basis, but afterwards flew to Moscow, where he received the official approval of the Soviet Fisheries Ministry.

Argentine exports to UK likely to increase

ARGENTINE exports to Britain could increase as both countries normalise links severed during the 1982 Falkland war, a leading Argentine newspaper said, Reuter reports from Buenos Aires.

The daily La Nacion, citing an Argentine Foreign Trade Secretariat study, estimated exports to Britain could eventually grow back to pre-war levels, though other countries now supply British buyers with goods formerly bought from Argentina.

Argentina and Britain are due to hold talks in October in Spain on resuming diplomatic ties severed after Argentine troops overran the Falklands in 1982. A British task force recovered the islands.

Argentine exports to Britain fell to a $9,000 (£5,625) low in 1984 from a record $218m in 1981, but have grown to about $118m in 1988, according to figures from the Foreign Trade Secretariat.

Britain was Argentina's eighth largest trading partner before the Falkands war. As a conciliatory gesture, Buenos Aires last month lifted a seven-year trade ban on British imports, reciprocating a step London had taken in 1985.

Pressed by their country's need to increase its foreign trade, Argentine authorities have turned a blind eye since 1986 to informal trade with Britain through third countries. The study said this route made Argentine products more expensive.

The study said it was improbable that British sales to Argentina would rise to 1981 levels of $324m. British exports to Argentina stood at $23m in 1988, up from $428,000 in 1984, La Nacion added.

The Foreign Trade Secretariat's study pointed out that Argentina's economic problems had forced cuts in imports in general, while the present exchange rate discouraged imports.

The study added that normalisation of ties between Buenos Aires and London was essential for Argentina because the European Community is due to decide next year whether it will extend an agreement on economic links with 66 developing countries.

India overhauls steel-making technology

A project is under way to raise output over the next five years, K.K. Sharma writes

THE government-owned Steel Authority of India (Sail) has embarked on a big modernisation programme to improve productivity in at least five of its seven steel plants over the next five years.

Plans are to upgrade the technology in plants 20 to 70 years old with the help of German, Japanese and Russian companies. Total investment involved will be about Rs150bn ($9bn), and the modernisation programme will increase Sail's steel production from 11m tonnes to 14m by 1995, and 19m by the turn of the century.

Rather than build three or four new plants, Sail has decided to increase the production capacity of existing ones, with the help of foreign companies.

Mr V. Krishnamurty, Sail's chairman, insists this is more than a mere face-lifting exercise, since it will virtually revolutionise obsolete steel-making processes and make Sail one of the world's major companies, with its plants using the latest technology and equipment.

Sail will provide most of the funds from its own resources for works to be carried out by Indian engineering companies, but the bulk of the foreign exchange content will be provided by governments of the three countries giving aid for the programme.

The exception is Sail's plant at Durgapur in West Bengal which is being modernised at a cost of Rs26.6bn. Built initially by British companies, efforts to obtain British aid for the project failed partly because of uncompetitive bids by British firms for seven contracts for which global tenders were floated.

Contracts for Durgapur have been awarded to a consortium formed by Mannesman Demag of Germany, Concast of Switzerland, and Tiazpromexport of the Soviet Union. Hard-currency costs of the contracts awarded to the consortium will be met from credits totalling DM410m ($210m), to be provided by KFW and other German banks.

Mannesman Demag will provide equipment for steel-making and raw material handling facilities at a cost of about Rs3bn, Concast continuous casting equipment costing Rs400m, and Tiazpromexport will remodel blast furnaces and sintering plants in collaboration with Mannesman at a cost of Rs2bn.

The project is more than a mere face-lifting exercise. It will revolutionise India's steelmaking processes

When work is completed, Durgapur's present production will be virtually doubled to 1.9m tonnes and result in considerable energy economies and improvements in yield and labour productivity.

Nearly 60 per cent of the work is being done by various Indian engineering companies, although a few contracts – such as those for new rolling mills and a new axle plant – have still to be finalised.

Unlike Durgapur, modernisation of SAIL's plants at Rourkela in Orissa State, Burnpur in West Bengal and Bokaro in Bihar, is based on aid from the governments of West Germany, Japan and the Soviet Union, respectively. Some contracts have still to be awarded, but preparatory work by Indian construction and engineering companies has started.

The Rourkela project is based on a DM840m aid package offered by the West German Government last year, although the cost of the entire modernisation plan will be more than Rs34.6bn.

A consortium of German groups such as Krupp, Mannesman Demag, GHH, Lurgi, Schlomann Siemag and Seimens will provide a sinter plant, a new steel melting plant with continuous casting, a hot strip mill and a cold rolling mill. Rourkela's steel production is expected to rise from 1.4m tonnes a year now, to 2m tonnes.

The Burnpur plant, built in the 1920s and passed to Sail after nationalisation of the Indian Iron and Steel Company, will be handled mostly by Japanese companies. Japan's Exim Bank has indicated it will provide credits totalling about $800m (£500m).

A Japanese consortium has just completed a basic engineering report on Burnpur's modernisation. The consortium, formed by Nippon Steel, NKK, Kobe Steel, Kawasaki Steel and Sumitomo Metal Industries, will carry out works for which Indian companies do not have capabilities. When completed, Burnpur's present production of 1m tonnes will be doubled.

Sail will also upgrade technology at the 400m-tonne Bokaro plant with Soviet assistance by introducing continuous casting technology. Another plant at Bhilai in Madhya Pradesh, also built by the Russians, is to be modernised with their help.

Details of the work involved are now being finalised. Sail's two special steels plants, the alloy steel plant at Durgapur and another at Salem in Tamil Nadu, are also to be upgraded and expanded.

The company also plans to modernise its marketing network.

S Korea opens a window on the world

By Maggie Ford in Seoul

FANCY buying a bottle of Russian vodka, an Alaskan salmon or a Nottingham lace tablecloth? If you are South Korean, such foreign delights have previously been unavailable.

But now, as part of a government effort to promote imports as it opens its market, shoppers may buy such items from a state-owned shop.

Known as the Korea Import Plaza, the shop was opened last week. Importers can display their goods and sell them directly to the public, thus avoiding the mysteries of local distribution.

The shop, located in South Korea's new trade centre, is supported by two government trade organisations. But consumers may initially be a little disappointed at what is on show.

A motorised golf buggy, made in the US, attracted a lot of attention, especially from children. But South Korean golfers might not be so interested in the idea of driving around the course.

One of the key delights, for most golfers, is the female caddy who accompanies them. Not only does she look after your clubs, she will also subtly improve your shot (when you're not watching – or that of your business-contact partner, if you want him to win).

The shop is mainly devoted to consumer goods and has a display of products ranging from wine, coffee and health foods to cosmetics, clothes and shoes. Electric appliances were included, including a food processor priced at £250.

Huge US-made refrigerators, at more than £2,000, appeared a little too big for South Korean apartments, which are a little larger than rabbit hutches, but not quite ranch-size.

But housewives were attracted by large US washing machines. South Korean manufacturers, who make pastel-pretty but petite machines, have not, apparently, yet realised that customers would prefer to do the laundry once a week rather than every day.

Italian companies had assembled the most attractive display, featuring haute couture fashion and shoes, well within the reach of the more affluent Seoul residents.

On the alcohol front, where most foreign countries have taken quick advantage of market-opening measures, wines from Europe, Australia and California started from a reasonable £5, but no Scotch was seen. South Korea liberalised its market for whisky in July.

The US, much the loudest complainant over the South Korean trade surplus, was well represented, with counters displaying high-quality audio and other electrical equipment, and food and confectionery items. The Soviet Union displayed beautifully packaged vodka, priced at a very reasonable £9.50.

Of the East bloc countries, South Korea has diplomatic relations only with Hungary. Economic links with the Soviet Union started last year. Czechoslovak crystal, Hungarian wine and Chinese pottery were also on show.

Many of the goods available can already be bought at ordinary department stores in South Korea, where the distribution system is far less daunting for importers than the much-criticised arrangements in Japan.

Sales were reasonably brisk. South Koreans have been critical of affluent people buying luxury imports, such as cars and perfume, rather than locally produced goods, but are clearly keen to compare prices and quality when they have a chance.

One area attracted great interest. Crowds watched a demonstration of imported water-purification equipment. Recent revelations that the country's supplies could be polluted have shocked South Koreans, and sales of bottled water have rocketed. But local manufacturers have not yet tapped the potentially profitable market in filter systems.

Aircraft shortage hits Air India expansion plans

AIR INDIA, the country's international flag carrier, is unable to buy enough aircraft for a planned major fleet expansion because of a world-wide shortage, Mr Rajan Jetley, managing director, said, Reuter reports from New Delhi.

Air India expected an annual 6-8 per cent increase in traffic and wanted to buy medium-capacity long-range aircraft for delivery in 1994 and 1995, he added. The airline had four options on Boeing 747-400s, two for delivery in 1992 and the rest in 1993.

Mr Jetley did not state how many aircraft Air India wanted to buy, but said it was also considering Airbus A-340s and McDonnell-Douglas MD-11s.

Air India flies 2m passengers a year and its fleet expansion programme is expected to cost Rs20bn (£754m).

The airline fleet at present consists of 21 aircraft, mostly Boeing 747s.

UK NEWS

Makita to build £27m tool factory in central England

By Nick Garnett

MAKITA of Japan, one of the world's three largest manufacturers of electric hand-held power tools is to build a production plant in Telford, Shropshire to serve the European market.

The plant, in central England, which is due to come on stream in autumn next year, will create up to 250 jobs over a five year period.

Total cost of the project is £27m though Makita is receiving some grant money from the Department of Trade and Industry.

Makita has chosen a 12.5 acre site and will produce angle grinders which cut metal, circular saws and rotary hammer drills at the 100,000 sq ft plant.

The company intends producing 30,000 units a month initially, with the intention of raising this to about 100,000 units a month, equivalent to production levels at its plant in the US.

Makita said yesterday the Telford factory would be a full manufacturing site and not just an assembly plant.

It intended making electric motors at Telford though these would be brought in from Japan during the initial phases of the British plant.

Components that it would source from Europe, included some plastic parts, aluminium housings and steel, the company added.

Of the total cost of £18m for getting the plant started, £2m has been taken up by the cost of land and buildings and £7m for machinery and equipment.

Makita said the factory, which will export to the Middle East and North America as well as to Continental Europe, would be very advanced and heavily automated.

Makita, which makes 650,000 power tools a month with yearly sales last year of £580m claims to be the second largest manufacturer after Black and Decker of the US and ahead of West Germany's Bosch.

It said it aimed to become the largest supplier of industrial power tools in Europe.

Makita already claims to be the world's largest manufacturer of industrial hand-held power tools used by professionals like construction workers and plumbers, as well as the biggest manufacturer of cordless tools. It is a much smaller supplier though to the do-it-yourself market.

Black and Decker manufactures electric power tools at Spennymoor in county Durham. Kango, a UK producer, also manufactures in Britain.

Black and Decker has the largest overall market share in the UK for all types of electric power tools. It is much smaller than Bosch and Makita in tools specifically designed for use by professional workmen.

Makita employs 4,500 people and, apart from Japan and the US, has production facilities in Canada and Brazil.

Sharp downturn in building prompts interest rates call

By Richard Donkin

THE house building industry last night urged the Chancellor of the Exchequer to cut interest rates in response to new Government figures which reveal a sharp downturn in house building starts on the same period last year.

The Department of the Environment said yesterday that house starts in the three months to the end of July on a seasonally adjusted basis were 24 per cent lower than the corresponding period in 1988, and 17 per cent lower than the previous three months.

Mr Roger Humber, director of the House Builders' Federation, warned that the figures had to be set against a record year for housebuilding in 1988 but said that, nevertheless, "We have undoubtedly got an over correction in the housing market now."

He urged Mr Nigel Lawson, the Chancellor of the Exchequer, to examine other ways of curbing consumer spending using more selective restraints rather than the "simple interest rate weapon which has more than done its work in relation to the housing market but has not corrected the balance of payments problem or consumer expenditure."

Mr Humber said the figures, which followed a pattern set in recent months, were not unexpected in the light of the Chancellor's anti-inflationary policies. He said: "If compared with a less abnormal year than 1988 they would probably come within a range not tremendously below the average of the last five years."

The Chancellor's policies, he said, had succeeded in stemming consumer borrowing on the equity in their homes but had reached the stage that it was in danger of having a knock on effect in employment in the material supplies and allied industries.

Mr Humber said the statistics concealed large regional variations with house building well down in the south and East Anglia while remaining reasonably buoyant in the north east.

He said: "There is a need now to gradually reflate the housing market, allowing interest rates to fall while targetting those areas still causing problems."

The Government statistics said in July 1989 it was provisionally estimated that 16,000 houses were started in Britain compared with 20,800 in July 1988. Completions numbered 14,600 compared with 18,600 in July last year.

Starts in the private sector were 20 per cent down on the previous three months and 27 per cent down on same period last year. Public sector starts showed some improvement, rising 6 per cent on the previous three months and a year earlier.

Study casts doubt on NHS cost savings

By Alan Pike, Social Affairs Correspondent

GOVERNMENT estimates that cost improvement efficiency schemes are generating an extra £900m a year in the National Health Service may be inaccurate, a study suggests today.

Since 1984, ministers have emphasised the importance of cost improvement programmes as a source of revenue for health service development.

The health reform White Paper "Working for Patients" calculated that such savings would generate more than £900m additional revenue in 1988-89, and the Commons Social Services Committee was told last year that they should raise nearly £4bn over four years.

But today's study, carried out by the Institute of Health Services Management, the National Association of Health Authorities and the King's Fund Institute health think tank, says there are "serious doubts" about the way cost improvement programmes are carried out and savings reported.

"The impression surrounding CIP savings makes the certainty with which they are quoted at the national level a source of concern," says the report.

"If the figures quoted do not reflect genuine additional sources of finance, they must provide part of the explanation for the severe funding problems faced by many health authorities in recent years."

Three areas of concern are identified by the report – the valuation of cost improvements, the treatment of recurrent savings and the monitoring and auditing process.

Valuation was sometimes difficult, and reported figures involved a good deal of imprecision. And while efficiency savings usually applied for more than one year, they could not be taken as lasting for ever.

"If subsequent increases in costs reduce the levels of savings below those made in earlier years, reported savings should be adjusted to reflect this fact. Our survey indicates that this does not happen."

The report acknowledges that cost improvement programmes will play a less central role in health service finance if the proposals contained in 'Working for Patients' are implemented.

But without sound knowledge of the real resource costs of their activities, it would be impossible for hospital managers to draw up and operate workable service contracts as proposed in the white paper.

The deficiencies of past monitoring procedures "should provide a salutary lesson" for health authorities which would become purchasing agencies.

● *Efficiency in the NHS King's Fund Institute, 126, Albert Street, London NW1 7NF £3.95*

SLD starts campaign in run up to conference

By John Mason

THE Social and Liberal Democrats yesterday launched a three-pronged campaign on health, food safety and the environment as a confidence-restoring build-up to their conference in Brighton next week.

The campaign is seen as an attempt by the leadership to point the party in a fresh, outward-looking direction at a time when successive poor performances in the opinion polls have depressed members' morale.

Conference representatives also overwhelmingly rejected moves to hold a potentially damaging debate on whether to change the party's short name to "Liberal Democrat".

The issue will be resolved by a ballot of all party members soon after the conference.

Sir William Goodhart, chairman of the conference committee said the vote of over 3 to 1 against debating the party's name showed the main concern of representatives was to deal with major issues such as the NHS and environment, rather than internal matters.

The "People first in healthcare" campaign is an attack on the Government's White Paper proposals to reform the National Health Service.

It includes a survey of general practitioners in seven parliamentary constituencies that shows widespread opposition to the proposed reforms.

Between 71 and 98 per cent of the doctors questioned said patients would lose from implementation of the reforms. Opposition to indicative drug budgets varied from 57 to 95 per cent. Between 70 and 90 per cent of doctors thought treatment of patients with special needs would suffer. Between 80 and 100 per cent thought there were too few resources being devoted to preventative health care.

The "Campaign for Healthy Food" proposes the virtual elimination of food additives, compensation for people harmed by pesticides and comprehensive food labelling.

The "Waste not, want not" environment campaign highlights the lack of legislation governing nuclear waste disposal.

A "shadow" environment bill will also be unveiled on the eve of the conference on Sunday.

SLD membership has fallen only slightly since the merger between the Liberals and most Social Democrats last year, a senior party figure said.

Current membership was 82,000 compared to 83,000 a year ago, immediately before the merger took place, according to Mr Graham Elson, the SLD general-secretary. This followed reports the loss in membership could be as high as 30,000.

Membership of the SDP now stands at about 11,000.

Councils accused of contract malpractice

By Richard Evans

TWO local authorities, Bristol City Council and the London Borough of Hillingdon, have been asked to answer allegations of unfair practices in awarding contracts put out to open tender, in the first move by the Government following numerous complaints of anti-competitive behaviour.

The move by the Department of the Environment (DoE) could be of great significance in opening up a wider range of local authority services to private sector companies.

In the first block of contracts awarded in the summer under the terms of the Government's compulsory competitive tendering legislation, most have gone to local authority direct labour organisations and very few to private contractors.

The DoE is currently investigating allegations of unfair practice against more than 150 councils, led by Conservatives as well as Labour.

Mr David Hunt, the local government minister, yesterday said he was calling formally on Bristol and Hillingdon to explain their behaviour. "If those explanations fail to convince me, I have the power to close down or restrict their council workforce operations," he warned.

It is alleged the city council in Bristol, western England, invited tenders for a single contract covering refuse collection, street cleaning, office cleaning and the cleaning of public lavatories.

The council also provided insufficient information to prospective tenderers in the tender documents to enable private sector companies to evaluate the work involved. No private sector company tendered.

Hillingdon, north-west London, awarded its vehicle maintenance contract to its own workforce when it was not the lowest tenderer, even after potential redundancy costs were taken into account.

The move follows protests from politicians, private companies, and the Public and Local Service Efficiency Campaign (Pulse) – a pressure group in favour of compulsory competitive tendering – for the Government to use its legal powers to ensure that private companies get a fairer deal.

Pulse claimed yesterday anti-competitive practices were threatening to destroy the Government's competitive tendering policy.

New homelessness figures describe 'human tragedy'

LABOUR and Tory local authorities have launched a joint criticism of Government housing policy after figures showed a massive increase in the number of families in temporary accommodation in London.

Nearly 25,000 families are in temporary homes in the capital - a 30 per cent increase in the last 18 months, according to the latest figures.

In a joint statement today the Conservative-controlled London Boroughs Association and the all-Labour Association of London Authorities described the situation as a "human tragedy".

They blamed the "deepening crisis" on the shrinking supply of council homes caused by Government restrictions on new house building by local authorities.

The latest figures were collated by the London Research Centre and the Bed and Breakfast Information Exchange. The total - 24,578 - represents a population of a town the size of Stevenage.

Councellor Peter Challis, chairman of the ALA Housing Committee, said in the statement: "Local authorities in London have an increasingly difficult job to house homeless families.

"What we need is the power to build new homes to replace those sold under the Right to Buy scheme."

An LBA spokesman said: "What we're saying is that the Government should relax the very tight restrictions on spending on new council homes.

"We have always supported the Right to Buy scheme, but we say it doesn't work if authorities cannot replace the properties sold."

The figures showed a sixfold increase in the past 18 months in the number of homeless families placed in privately rented accommodation as opposed to bed and breakfast hotels.

Renting from private landlords is said to be saving London boroughs several million pounds a year.

Inquiry demanded over convicted Scots soldier

By Our Belfast Correspondent

MR TOM KING, Defence Secretary, is to be asked to investigate the case of a Scottish soldier who is still in the Army despite being convicted of supplying information likely to be of use to terrorists in Northern Ireland.

The Army confirmed yesterday Corporal Cameron Edward Hastie, 23, a member of the Royal Scots Regiment, was still a serving soldier despite being given an 18-month suspended prison sentence at Belfast Crown Court.

Mr Seamus Mallon, deputy leader of the nationalist Social Democratic Labour Party (SDLP) said he was horrified at the development and would ask Mr King to investigate.

Dr John Alderdice, leader of Ulster's Alliance Party, said he did not believe anyone convicted of such an offence should ever be allowed to serve in the security forces again.

Cpl Hastie and a part-time UDR member were found guilty of making available to another person or persons certain property, namely photographs and particulars of motor vehicle owners, knowing or suspecting that it might be used in connection with acts of terrorism.

Rolls-Royce faces ballot

By Michael Smith, Labour Staff

THE ROLLS-ROYCE aerospace group's plant at Hillington, Glasgow, is emerging as one of the most likely targets for all-out strike ballots as engineering unions step up their campaign for a 35-hour week.

Other prime targets for ballots include British Aerospace's operations in Bristol and Weir Group.

The emergence of the hit list targets comes as engineering leaders intensify their propaganda war against employers. Mr Bill Jordan, president of the AEU engineering union, yesterday contrasted the companies's stance on hours with large pay rises to chairmen.

It was a "display of avarice, the stench of which has percolated to Downing Street," he said.

In Brief

Support for sterling leads to fall in reserves

By Simon Holberton, Economics Staff

EFFORTS by the Bank of England to support sterling last month led to a fall of $405m in the underlying value of Britain's reserves of gold and foreign exchange.

The fall, which was nearly twice as big as City analysts had expected, suggests downward pressure on the pound was stronger in August than first thought.

News, however, of the larger-than-expected fall in reserves had little effect on financial markets. The pound held up well against the D-Mark while being slightly weaker against the generally stronger dollar.

Mr John Shepperd, economist at Warburg Securities in London, said: "The intervention by the Bank last month was large enough to flag its presence in the market but it was not massive."

The Treasury said that at the end of August Britain's foreign reserves were $43.2bn compared with $43.6bn at the end of July.

Belfast expansion

DESSIAN Products, the Belfast-based UPVC window frame and door manufacturer, is creating 109 new jobs in a £2.7m expansion backed by the Industrial Development Board for Northern Ireland, it was announced yesterday.

The company, set up three years ago, makes window frames and doors for the local market and the rest of Britain, as well as exporting to the Republic of Ireland.

Current weekly production at its premises in South Belfast is around 1,000 window frames.

Insurance survey

A SURVEY of motor insurance claims shows almost 80 per cent of traffic accidents occur in fine weather, 72 per cent in good visibility and 70 per cent on dry roads.

The analysis, by Jardine Insurance Brokers, found that November was the most dangerous month with 9.18 per cent of accidents recorded then.

Parliamentary union

THE centenary conference of the Inter-Parliamentary Union, being held in London this week, was opened yesterday by the Queen.

The IPU is a worldwide organisation of parliamentarians aiming to promote international co-operation in line with United Nations aims.

The conference will include informal talks between the British delegation and its Argentine counterpart, led by Senator Eduardo Menem, Speaker of the Argentine upper house and brother of the president.

River boat safety

SAFETY priorities on river boats are still being neglected in the aftermath of the Marchioness disaster, the Royal Society for the Prevention of Accidents warned yesterday.

The rules covering efficient evacuation in an emergency are inadequate, and the Department of Transport must do more to improve them, it said.

Amoco evacuation

MORE than 100 men evacuated from an Amoco North Sea oil platform at the weekend will remain on shore until it has been declared completely safe, the US company said.

Engineers yesterday successfully "killed" the oil well where a high-pressure gas kickback rocked the North West Hutton platform.

A total of 113 men were flown off the platform when the kickback, in a well being drilled for development purposes, caused a series of heavy vibrations.

Production was immediately shut down, and Amoco said: "The situation is stable and under control."

TUC CONFERENCE

Unions confident of change in fortunes

By Charles Leadbeater, Labour Editor

THE annual TUC conference opened in Blackpool, north-west England, yesterday amid an atmosphere of stability, verging on a confidence that 1989 could mark a turning point in the union movement's fortunes.

TUC leaders believe the unions' painfully slow adjustment to the loss of the power their wielded in the 1970s is coming to its end, that retrenchment is giving way to renewal.

The thousand delegates gathered in the Winter Gardens' ballroom yesterday approved two motions which according to Mr Norman Willis, the TUC's general secretary, symbolise the unions' determination to prepare for the 1990s.

The congress almost unanimously approved rule changes which will nearly double the number of women on the TUC's ruling general council. It went on to support proposals to improve recruitment among non-unionised workers, especially women in the service sector.

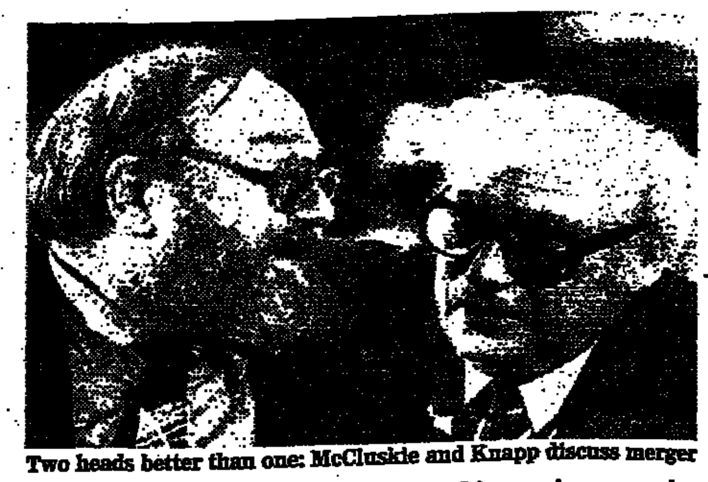
That will be followed by a series of initiatives to widen the unions' agenda, and broaden their appeal. Today it will launch its policy on the environment, followed by to radically revamp the British training system and on Thursday a report on the Single European market.

Even the unions' fatal attraction for internal division seems to be abating. The only looming disaster – the possible expulsion of Balpa, the airline officers union – was averted before Congress.

A left-wing challenge to the TUC's proposals on the general council's membership were comfortably defeated. The NCU, the communications union and MSF, the general technical union say they are close to agreeing a composite on defence which would be broadly in line with Labour's recently revised policy.

The only cloud on the horizon for Mr Kinnock is relatively small: a campaign led by the TGWU, general workers union, to stiffen the policy review on industrial relations law. But as yet it is hardly a revolt. TGWU officials admit the proposal to limit companies' ability to press for damages in disputes would not amount to much of change.

One of the few low points of the congress is likely to be its boring predictability as delegates sweep through a stream of uncontroversial motions on issues such as the EC, nuclear energy and social ownership, which would have been hotly contested some years ago.



Two heads better than one: McCluskie and Knapp discuss merger

LEADERS of the National Union of Railwaymen and the National Union of Seamen have finalised terms for a merger of their organisations, it was disclosed yesterday, Jimmy Burns writes.

Mr Jimmy Knapp and Mr Sam McCluskie, general secretaries of the NUR and the NUS respectively, are meeting in Blackpool this week to ratify formally an agreement that should pave the way early next year for creating a new transport union with about 130,000 members.

Mr Knapp, whose union was involved in a series on one-day strikes this summer, said yesterday: "The merger will create a new union with considerable industrial muscle in the transport sector."

An agreement after months of protracted negotiations involving joint working parties is likely to put pressure on other unions to speed up their merger initiatives.

Talks with the NUR were initiated more than two years ago by the NUS at a time of growing financial difficulties for the seamen's union because of falling membership.

Credit figures show curb in UK consumer spending

By Peter Norman, Economics Correspondent

THE AMOUNT of new credit granted to British consumers by finance houses, building societies and on bank credit cards declined in July, adding to evidence that the Government's high interest rate policy is curbing consumer demand.

Official figures yesterday also confirmed an earlier provisional report of a sharp drop in retail sales volumes in July with the result that the year-on-year increase in sales for the three months to the end of July was the lowest since October 1982.

Details of the amount outstanding on consumer credit agreements provided less decisive evidence of a slowdown in consumers' appetite for borrowed funds. The Central Statistical Office reported a £251m seasonally adjusted increase in outstanding consumer credit agreements in July compared with a revised £188m increase in June. However, the July figure was sharply lower than May's £505m increase and lower than the average monthly increase for the year to date, the CSO said.

The Treasury said yesterday's figures were consistent with other evidence of a slowdown in the economy. They had little impact on financial markets which are looking ahead to publication on Thursday of the August Financial Times/Confederation of British Industry distributive trades survey for further indications of consumer demand in Britain.

John Mason writes: Mr Bryan Gould, Labour's Trade and Industry spokesman, said yesterday's figures showed that an "obsessive" pursuit of high interest rates by Mr Nigel Lawson, the Chancellor, may now be curbing the demand for consumer credit.

But he said this would not solve Britain's economic problems. Manufacturing output was stagnant or falling, company liquidity was at a 15-year low and business confidence was falling, he said.

The Chancellor would have to change direction before high interest rates precipitated a hard landing for the economy, Mr Gould said.

Government to abolish curb on private coal

By Maurice Samuelson

THE 30-man rule which has limited the size of Britain's private underground mines for more than 40 years is to be abolished as part of a Government move to expand the small private coal sector.

Under a Coal Bill to be introduced in the autumn, private underground collieries will be allowed to employ up to 150 men below ground. This is still far fewer than the average 1,000 strong workforce in the larget British Coal collieries, and and it is unlikely to lead to a rapid increase in the size of the private underground workforce. In another liberalisation move, the new Energy Secretary, Mr John Wakeman, is to order a tenfold increase in the amounts of coal for which licences are granted.

They will be raised from a mere 25,000 tonnes per licence to 250,000 tonnes. However, this could effectively mean up to 500,000 tonnes per licence if British Coal, as the licensing authority, continues the present practice of granting extensions to licences.

The forthcoming Coal Bill is also expected to propose a significant writee of of British Coal's accumulated debts. It is the heavy interest repayments on these debts - expected to reach £550m in the current financial year - which repeatedly prevent it from showing an overall profit despite the dramatic efficiency gains of the last four years.

Charities win freedom to advertise on TV

By Raymond Snoddy

HUNDREDS of British charities will now be free to advertise their appeals on commercial television and radio following the lifting yesterday of a 34-year ban on charity advertising in British broadcasting.

The National Society for the Prevention of Cruelty to Children was among the charities which yesterday welcomed the lifting of restrictions.

Football fans face action after ferry disturbances

By Kevin Brown, Transport Correspondent

MR COLIN MOYNIHAN, the Sports minister, was under pressure last night to take tough action against travelling football hooligans after a man was lost overboard during disturbances on a North Sea ferry.

Mr Denis Howell, the shadow Sports Minister, and Mr John Carlisle, the Conservative MP Luton, were among those who called for better security, possibly through new legal powers.

The Tor Britannia, owned by the Danish ferry operator DFDS, was forced to turn back to Harwich early yesterday because of heavy drinking and drug taking among more than 150 football fans heading for tomorrow's England v Sweden World Cup qualifying match in Stockholm.

Essex police said 20 youths were questioned when the ferry docked. The man who fell overboard was named as Robert Patrick Ayling, 24, of Lipson, Plymouth. He was among those travelling to the match, police said.

Prince set his sights on encouraging community projects

By Alan Pike, Social Affairs Correspondent

THE PROSPECTS for establishing a national programme enabling large numbers of young people to work full-time on community projects are encouraging, the Prince of Wales said yesterday.

Plans for the scheme are being developed by the Prince's Trust, a young people's charity of which the Prince is president, and the Commission on Citizenship – an all-party groups of MPs, educationalists and others set up last year.

A formal decision to go ahead with the scheme on a national scale has not yet been made, but there are indications that this will come next spring.

Pilot projects have already operated in Sunderland, northern England, Birmingham, Britain's second largest city, and South Wales, and it was announced yesterday that another local scheme will start next month in Bradford, north Yorkshire.

The Prince, outlining his proposals in Edinburgh yesterday, said a study of the scheme had proved very encouraging.

"We are now considering how to expand this idea. In view of the reaction from all sections of the community at the moment, it is encouraging," he said.

Consultations with voluntary organisations, employers and trade unions will be necessary to gain support for the community volunteers scheme.

The intention is that it should offer 16-25 year olds of all backgrounds, especially those from deprived inner-city areas, the chance to work together for three months on environmental, community and other projects of social value.

It is hoped that the scheme, once launched, would build up to 100,000 places a year.

Young people in employment who volunteered for the scheme would continue to be paid by their employers, while those on the Youth Training Scheme would retain state allowances.

The Prince, talking about his idea at a Prince's Trust meeting in the Scottish capital, placed it in the context of other work which the trust is doing to aid young people's personal development.

"What we are always trying to do is to develop hidden talent among a large number of young people all over the country, however disadvantaged or alienated they may be," he said. There were many young people who had hidden talent which was not brought out.

Prince Charles added: "That talent needs to be harnessed and that is what I hope we can do in our own small way, to enable people to realise their full potential."

People who took part in the Government's now defunct Community Programme received allowances in return for doing part-time work of a socially useful nature, but participation was restricted to the long-term unemployed.

The Prince's Trust scheme is aimed at all young people, and is planned as part of their personal development rather than as a response to unemployment.

MANAGEMENT: The Growing Business

A 'Napoleonic' drive, with a French partner, into Iberia

Charles Batchelor takes another look at Labelking's export efforts

Labelking, a South London printer of adhesive labels for the food industry, is attempting to break into export markets. Chris King, founder and managing director of the £4.5m turnover company which employs 32 people, plans to establish a joint venture on the Continent with a French label printer and also hopes to open a factory in the south-eastern US. King has had two meetings with John Drury, an export development adviser* from the London Chamber of Commerce, to discuss the practical problems of expanding overseas. At their third meeting at King's small Herne Hill factory Drury hands over a mass of information he has collected on the label printing industries in Spain and Portugal, where King and his French partners plan to set up.

"The magic words are *etiquetas adhesivas*," says Drury, producing several lists of Continental printers (of adhesive labels) which he has had compiled by embassies and chambers of commerce in Britain, Spain and Portugal. Commercial directories have also been consulted to build up a picture of potential targets or partners. "That's terrific," comments King.

But even this wealth of material has its limitations. A list of French printers does not include Labelking's French partner, a £4m turnover company based in Paris. A directory of British printers recently consulted by King had omitted his own company so further work will be necesseary to build up a complete picture.

However incomplete the information on the European printing industry, the position is better than in the US, which Labelking is also researching. At a recent printing industry conference which King attended in Chicago American printers said that more data was available on the industry in Europe than in the US.

"I know that what you really need is details of how many people these companies employ and their turnover," says Drury. "But you have the names now and you know where to contact them. You can laser in on the company and have a Dun & Bradstreet (company profile) done on them."

King has been carrying out his own research with the help of Claire Deruty, a French student of business administration at Middlesex Polytechnic who is doing a six-months' placement with Labelking to gain work experience. Deruty has also consulted directories in the local library and contacted suppliers to build up a picture of the quality and price expectations of customers in the different Continental markets. King wants to serve not just the Iberian Peninsula from his base in Spain or Portugal but is looking for a low-cost base to sell throughout the Continent.

The quality of labels in Spain is lower than that which would be acceptable in the UK. At first sight this would appear to provide an opening for Labelking, which supplies demanding British companies such as Sainsbury and Waitrose. But would Spanish customers be prepared to pay the higher prices for this improvement in quality?

King turns to another subject which concerns him – the legal implications of setting up a company on the Continent. King is currently registering a company in France but wonders if this will be overtaken by changes in European company law which, it appears, will allow the joint registration of companies in more than one country.

Chris King: looking for a low-cost base

Drury suggests that King makes use of LawLink, a service provided by the London Chamber of Commerce, which allows British companies to speak to Continental lawyers by means of a video link-up. King is enthusiastic about this proposal. "It's not often you can go into a lawyer's office and ask wide-ranging questions," he says. "They are always in meetings."

But understanding the legal complexities and studying lists of companies will not get Labelking into overseas markets. "One can look at loads of statistics but it is people who are the key," says King. He hopes to meet his French partners in a few weeks' time to see what their researches into the Iberian markets have produced. He also plans to send two of his production managers over to Paris to see how the French company is run.

In his dealings with his French partners King makes use of his schoolboy French supplemented by a language school course – but for the moment he calls on Claire Deruty when it comes to writing letters. King says he feels the French are embarrassed by the fact that he can speak their language but Deruty says the French are pleased to find an Englishman willing to make the effort.

King is not yet completely certain about how to get established in Spain with his French partners though he does rule out starting a completely greenfield venture. He is considering either acquiring or setting up a joint venture with a local company. Another possibility is for Labelking, the French company and a Spanish partner to form a network of independent small companies supplying a complementary range of products.

This concentration on Europe means that King will delay any move into the US until 1990 at the earliest.

"So it's Europe first and then the south-eastern US," says Drury. "That makes me sound like Napoleon," returns King. But Drury, who spent many years overseas for GKN, the British engineering group, is keen to push the more cautious King into action.

He wants Labelking to move quickly into continental Europe as the barriers come down. "I imagine you will want to hit Germany with a hosepipe before 1992," he suggests. "There's the Duke of Wellington again," says King. "I see it more in terms of co-operation rather than of firing guns."

Drury also suggests that Labelking might broaden the range of labels it offers by buying in a cheaper range from other printers to supplement its own more expensive products: "You could hit the market with a complete range in 1991. Don't wait until 1992," he says. King, who already has his hands full with his present plans, seems less than enthusiastic at this proposal.

King's third meeting with Drury is the last which is formally scheduled to take place under the export development adviser scheme though King may call on the London chamber for further advice. Drury will send King a formal report of their meetings and written confirmation of the points they have discussed.

Labelking is more advanced in its export thinking than most of the companies with which Drury deals but it still has to move beyond the planning stage. The next few months will see if the company can translate its plans into action.

**A team of 31 export advisers has been recruited by the Department of Trade and Industry and seconded to chambers of commerce around the country. Contact London Chamber of Commerce 01-248 4444, your local chamber or DTI regional office.*

The first two articles in this series appeared on May 2 and May 23. Future articles will follow Labelking's progress into exporting.

Seeking to become a dot on the entrepreneurial map

Pratap Chatterjee explains how money and ideas come into contact with each other on the New York networking circuit

What do an international art distributor, an expert on rescuing failed savings and loans institutions, an Ernst & Young accountant and a Rothschilds banker do together on the 48th floor of the Time Life building in New York once a month on a Thursday morning?

They and hundreds of others are following what is probably one of the most common pursuits in Manhattan today – networking.

The audience at the August meeting of the New York Venture Group all display a coloured dot on their name badges. Red dots are entrepreneurs and business owners, green dots are sources of capital (ie investment bankers), yellow dots are providers of professional services (ie accountants and lawyers) and blue dots, potential managers.

"The object of this meeting for those with red badges is to prevent those with green dots from leaving," Burt Alimansky, chairman of the New York Venture Group, tells those assembled.

The morning's speaker is Joseph Mancuso, president of the Centre for Entrepreneurial Management in New York, a body offering information and assistance to entrepreneurs.

He summarises the way most entrepreneurs conduct business at least some of the time with the logo on a bright red T-shirt he displays to his audience – "Ready, Fire, Aim!". His way of getting his entrepreneurial message over to his audience is to ask them questions. Those who get the answer wrong get a copy of one of his books which he considers provides the right answer.

At the end of Mancuso's talk, a microphone is passed from hand to hand for occupants of the room to summarise their reason for being at the meeting and to give their phone number.

There are about 50 "sources of capital" for 85 "entrepreneurs", but many of the 100 "providers of professional services" or 40 "potential managers" would often like to add an entrepreneurial string to their bow.

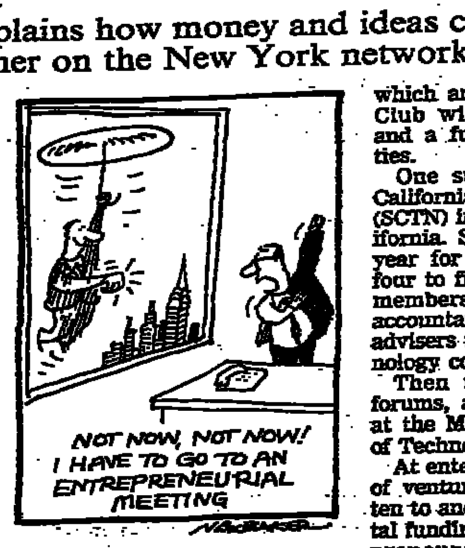
My neighbour, a freelance manager in his mid-fifties, was an example. A few months ago he had come in the hope of getting some management work, only to end up putting $10,000 into somebody else's idea. Even though the idea failed, he still comes faithfully to the meetings, and would be prepared to try again. "I'd like to recoup my money," he confesses.

The main aim of venture groups is networking. The first one was set up in Stamford, Connecticut, in the 1970s. The Connecticut group still meets on the first Monday of every month and now has several equivalents in nearby areas, such as New York (the third Thursday of every month), Long Island (second Friday) and a Route 128 (the Massachusetts equivalent of the high technology zone of Silicon Valley in California) group that meets on the second Thursday of every month.

While many of the people with red dots on their badges at the venture group represent small companies with a complete business plan, there are a few with new ideas that they would like to bounce off other people.

Some of the other venture group participants are big accountancy and law firms which have set up service groups aimed at medium-sized companies. For instance, Ernst & Young has 2,500 professionals in three main service areas of audit, tax and management consultancy specifically working on growing businesses.

Yet others, like Peat Marwick, give free consultancy to promising businesses. This year Peats started a programme called the Carolinas' Initiative based on the Department of Trade and Industry's Enterprise Initiative in the UK, which provides subsidised consultancy help for small and medium-sized businesses. Fifty companies received free consultancy worth a total of $500,000.



Other participants include venture capital firms which have about $30bn invested or available for investment in new businesses.

Allimansky tries to encourage these institutional participants to take out an annual $395 subscription. Entrepreneurs pay $25 for each breakfast meeting; the "sources of capital" pay $30 for a single meeting.

For people who might otherwise try to plan things from their living room or meet advisers one at a time, venture groups present a quick way of meeting a number of possible contacts.

There are, however, a number of alternatives to the venture groups for entrepreneurs. There are universities and brokers with databases of contacts and there are professional counsellors and support groups which are more like a Rotary Club with membership lists and a full schedule of activities.

One such is the Southern California Technology Network (SCTN) in Newport Beach, California. SCTN charges $400 a year for 12 round tables and four to five conferences for its members. It will recommend accountants, tax and business advisers to its small high technology company members.

Then there are enterprise forums, a practice that began at the Massachusetts Institute of Technology (MIT).

At enterprise forums a panel of venture capital experts listen to and then criticise a capital funding plan from an entrepreneur in front of an audience. After the panellists are done, the audience is allowed to come in with its own criticisms or questions on either the plan or the panellists' recommendations.

Enterprise forums can attract wild ideas like the Video Dog, a video that offered people without dogs an alternative that they did not have to clean up after, take to the vet or walk every day: a film of a dog doing just what people wanted it to – like 'sick' or fetch. (Like the Pet Rock, a rock in a box, the Video Dog successfully sold several thousand copies).

The New York Venture Group's speaker this month is somebody who also cashed in by creating a fad. Ken Hakuta who runs Tradex, an import/export company. Hakuta successfully marketed the Wacky Wallwalker, a children's toy that netted him $20m (more than Rubik got for his cube). Hakuta now has a weekly children's show on which he offers $100,000 to anyone with a really good idea that he thinks he can market.

In brief...

■ Venture capital is becoming increasingly popular throughout Europe as a means of financing unquoted companies. Venture Capital in Europe, the 1989 Yearbook of the European Venture Capital Association, gives details of the several hundred companies which are now active and overviews of the industry in 16 countries.

The yearbook is available, free, from John Hustler, Peat Marwick McLintock, 1 Puddle Dock, Blackfriars, London EC4V 3PD. Tel 01-236 8000.

■ The Prince's Youth Business Trust, which helps unemployed or otherwise disadvantaged young people set up their own business, is to increase the size of its grants to take account of the rising cost of starting a new business.

The size of the bursary has been increased from £1,000 to £1,500 while the upper age limit for disabled people to qualify for help has been increased to 30 years. Otherwise the upper limit remains 25.

The trust is also linking up with the prison service to draw attention to the possibility of self-employment to people in young offenders' institutions.

The trust is at 8th Floor, Melbury House, Melbury Terrace, London NW1 6LZ. Tel 01-262 1340.

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Turnover: United Plastics (UK) Limited (Period 17 November 1987 to 31 March 1989) £1,544,090.
Stakeplus Plastics Limited (Year to 31 March 1989) £251,791.
(based on draft accounts).

For further information please contact:—
Cyril W. Nield,
Joint Administrative Receiver,
Cork Gully,
Abacus Court,
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18th October 1989

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or write to them at:

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COMPANY NOTICES

THE SUNGEI BESI MINES MALAYSIA BERHAD
(Incorporated in Malaysia)

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of members of The Sungei Besi Mines Malaysia Berhad will be held at the Conference Room No. 5 1st floor, The Merlin Kuala Lumpur, No.2 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia on Friday 29th September, 1989 at 10.00a.m. for the following purposes:

To consider and, if thought fit, pass the following as ordinary resolutions:

1. 'That the profit and loss account for the year ended 31st March, 1989 and the balance sheet of the Company at that date and the statement of source and application of funds of the Company together with the annexed reports of the Directors and Auditors be and are hereby received and adopted.'
2. 'That the final dividend of 40 sen per share, less tax at 35%, recommended therein be and is hereby approved and declared payable on 2nd October, 1989, to members registered at the close of business on 28th July, 1989'.
3. 'That Encik Zulkarnain bin Dato' Sheikh Ahmad, who was appointed since the last Annual General Meeting, be and is hereby re-elected a Director of the Company'.
4. 'That Messrs Peat Marwick, who are eligible and have given their consent for re-appointment, be and are hereby re-appointed the Company's Auditors for the period until the conclusion of the next Annual General Meeting and that the remuneration to be paid to them be fixed by the Board.'

By Order of the Board
NG SEE YEN
Secretary

Kuala Lumpur
5th September, 1989

Notes:
A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

A form of proxy to be valid must reach the Registrar's office at 32nd Floor, Menara PNB,201A Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia or the United Kingdom Registrars' Office at Barclays Registrars Limited, 6, Greencoat Place, London SW1P 1PL, of not less than 48 hours before meeting.

Copies of Directors' service contracts are available for inspection at 15th Floor, Plaza Atrium, Lorong P. Ramlee, 50250 Kuala Lumpur on any weekdays (except Saturdays) from 5th September to 29th September, 1989 during usual business hours and will also be available for inspection at the Conference Room No.5, 1st floor, The Merlin Kuala Lumpur, No.2 Jalan Sultan Ismail, 50250 Kuala Lumpur,Malaysia on 29th September, 1989 for fifteen (15) minutes prior to and until the conclusion of the Annual General Meeting.

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INSOLVENCY ACT 1986
No. 001475 of 1989
IN THE HIGH COURT OF JUSTICE
IN COMPANIES COURT
GOROSE LIMITED

of 11 Masons Avenue, Harrow, HA3 5AH

I, John Colin Mannie Bishop, of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ.

HEREBY GIVE NOTICE that I have been duly appointed and certified by the Official Receiver as Liquidator of the estate of the above-named on 28 July 1989.

All persons having in their possession any of the assets of the company must deliver them to me, and all debts due to the company must be paid to me.

Creditors who have not yet proved their debts must forward their Proofs of Debt to me.

Dated this 30th day of August 1989

John Colin Mannie Bishop
Liquidator

MERTHYR TYDFIL TRANSPORT LIMITED - IN ADMINISTRATION
NOTICE OF CREDITORS' MEETING IN ADMINISTRATION PROCEEDINGS

Notice is hereby given that a meeting of creditors in the above matter is to be held at The Park Hotel, Park Place, Cardiff on Tuesday 19th day of September 1989 at 11.00 am to consider our proposals under S.23(1) of the Insolvency Act 1986 and to consider establishing a creditors committee.

A proxy form should be completed and sent to us by the date of the meeting if you wish to be represented.

In order to be entitled to vote at the meeting you must give to me, not later than 12.00 noon on the business day before the day fixed for the meeting, details in writing of your claim.

J P Comiskey and C J Barlow
Joint Administrators
Cork Gully
Churchill House
Churchill Way
Cardiff CF1 4XQ

Great changes afoot at the Tate

Now is a good moment to savour the gallery's true catholic outlook, says William Packer

Whatever else it might be, the Tate Gallery, with its attendance of some 1,581,467 visitors last year, stands high among London's principal public cultural attractions. But controversy hangs about it even now, when – with no special shows or questionable recent acquisitions to attract the fire – it might have thought it still close season on any critical sport.

Nicholas Serota, the new director, is now a full year into his term of office: great changes are afoot; gallery upon gallery closed for alteration and repair; a complete revision of the permanent hang well under way. "Have you seen the Tate lately?," I was asked the other day. "It's in a terrible mess." A personal inspection seemed the only thing.

Such as it was, the mess I found was not so much terrible as intriguing, though everything I had been led to expect was true. Excluding the Clore extension with its Turners, something approaching half the public space is currently closed, including the entire new wing that was opened in the late 1970s and all of the central Duveen Gallery beyond the Rotunda. The temporary map I picked up at the entrance was already out-of-date. And what remains on view is disconcerting, at least to any regular visitor, for very little – even if it is to be found at all – seems to be where it was. Only the Constable and the late Victorian rooms (Nos.10, 14-16) seem at all familiar, and only the Blake Gallery (7) is untouched.

But we must accept that nothing is immutable. Change for change's sake will always distress the conservative, and none more than me, but we still must wait upon that change to make that judgement. As I understand it, much of the renovation is no more than the removal of the physical accretions of the last 30 years or so which, if it proves to be so, is a resteration to be welcomed. In particular, the central Duveen Gallery is to be opened up once more into the magnificent sculpture hall it was always meant to be. We shall see.

The rehang is to reveal itself in two or three stages from the end of October, but with many key works still out on loan the definitive hang will only come together at the last moment, early next year. The collections are rich enough to plug those gaps all but invisibly, so, in fairness, judgement again must wait upon the event. We should only remember that no great collection is ever static, and the Tate's view of British and modern art has been constantly shifting and modifying itself, subtly and discreetly, over all the years that I have known it. A complete reordering now, in the light of the great changes that have taken place in recent years in the critical reading of all its periods, is no bad thing. We live in revisionist times.

Which leaves us with the interesting state, mess if you like, that the Tate is now in. It offers the most temporary of temporary hangs, with Picasso, for example, crowded into the small room to the right that usually holds a few recent *acquisitions (37), and a clutch of post-impressionists,* Cezanne, van Gogh, Modigliani and the rest, banished from their usual walls on the modern side, and actually going up, on the day of my visit, in the rooms off to the left (5,6). Here there are two important points to make. All but halved, *pro tempore*, in its effective space, the Tate has been reduced, in both scope and size, to something manageable in an agreeable afternoon. And, that said, there remains more than enough to see.

Some of the principal galleries have been hung with selected major works, to represent the nature of the several collections and to fulfil, as far as possible, the expectations of particular visitors: a quick run through 18th century British painting (3); Picasso (37); Surrealism (33); Expressionism (35); Leger, Miro and Matisse (38). But there is more to it than the odd few masterpieces. The opportunity has been taken to bring out works of all kinds that are either far too seldom seen or, which is perhaps more pertinent, of comparatively recent acquisition.

These aspects make the present hang so intriguing, most of all to those of us who think we know the collections well. We know the purchase grant is pitiful and yet, with prices through the roof, what marvellous things have been coming into our hands these past few years. I found myself making a note of all on show that had been acquired since 1980, and in room after room, not just on the modern but throughout the collections, the proportion was gratifyingly high.

Thomas, 2nd Baron Mansel of Margam, and his siblings by Allan Ramsay, 1742

In that Gallery 38, for example, with its modern melange, the whole of one side – Dubuffet, Jorn and Constant – seems new, with the splendid Helion nude of 1952 bought only last year. On into European abstraction (35) and there in the corner is an exquisite Ben Nicholson landscape of 1923, bought this year. The pair of late Derain portraits (32) were acquired in 1982 and 1987.

Over in the far corner of the Tate (16), along with familiar Sargent, Watts, Millais, Forbes and Bramley, are la Thangue, bought in 1982; Clausen, '83; Guthrie, '82. So it goes on in the lower galleries (18-23) given over to the 20th century British schools, with artists like Laura Knight and Augustus John returned to prominence, and Meredith Frampton's Mrs Kelsey, bought in 1982, and William Rothenstein's Mother & Child, bought last year, again outstanding recent acquisitions. And there are so many more - Craxton, bought in 1984, Ayrton in '83, Ghisha Koenig in '86.

So too with the historic British collection: Gallery 3 celebrates among many treats the fine Allan Ramsay group of Lord Mansel and his siblings, again bought only last year, and the quite magnificent Lawrence full-length of Lady Cremone, that was bought, it would seem, only the other day. Nothing could better give the lie to the old canard that the Tate, under its recent directors, has bought nothing but narrowly justified modern rubbish. This is as good a moment as any, and one that will not last long, to savour its true catholic flavour.

Life is a Dream

KING'S THEATRE, EDINBURGH

The Edinburgh International Festival, as we all know, was founded to perform *Woyzeck* and *Blood Wedding* in perpetuity, whether in the original or English, spoken or set to music, by amateurs, professionals, national companies or students. True to festival form, both Büchner and Lorca have been found at this year's Caledonian Kulturfest. Any departure from the norm throws the system into confusion, as witness the first night of *Life is a Dream* given by the Stary Theatre of Krakow at the King's. The programmes materialised after the performance was due to start; and ticketholders were reallocated seats on arrival since the authorities who had chosen the play for Edinburgh had been unaware that Jerzy Jarocky's production necessitates a catwalk traversing the stalls, in the middle of which is placed a huge cannon pointing at the stage. Remembering the confusion over *Macbeth* – when advance tickets were honoured neither by the official Festival authorities nor the indefatigable local entrepreneur who took over after the announced Italians decided to go into hospital with a mass nervous breakdown – the playgoer might conclude that advance booking in Edinburgh is something of a magical mystery tour.

Calderón's play proves an uncannily apt choice for a Polish company today. To the favourite Renaissance theme of the transience of things is added a wry, fatalistic Slav shrug. And the adaptation by Jaroslav Marek Rymkiewicz overlooks none of the political potential of the story.

The Polish king has immured his son and rightful heir since birth, following ominous prognostications in the stars. The young man is released from his prison for one day only, during which he is treated as king. Initially believing that this is a dream, he behaves as immoderately as would be expected, posing the moral problem of what society can expect from one of its perpetual victims – and, more topically, how sudden responsibility can be assumed by those who have always been denied it.

The youth is sent back to his prison, more than ever convinced that his brief elevation was a dream; but a rising in his favour against the king's appointed heir (a Muscovite, as the Poles would note with particular interest) results in his reinstatement and determination to govern moderately: "Be humble; be merciful – you may be dreaming."

This production implies splendour with a black backdrop, a few sticks of ornate furniture and at one point a multiple set of gleaming, golden double doors receding into the darkness. The court and the military are *ancien régime* verging on Napoleonic; the captive prince is Jacobean. The production is both stronger and lighter than the RSC version some years ago. That seemed a consciously respectful museum-piece with a few dramatic touches, such as the necromancer's robe that spread over the stage like a starry floor. The Poles have no time for fripperies: for them this is obviously a tough and urgent play.

Krzysztof Globisz follows his obsessive student of the Cabala in *The Dybuk* with a finely human prince, convincing in anguish, rage and clemency – and in humour; the Poles in the theatre chuckled delightedly in the course of the evening (90 minutes without interval): a sure sign that the rueful resilience of the Slavs has permeated early Spanish baroque. The result was one of the Festival's most satisfying theatrical offerings, however hard it was to find out where you were sitting.

Martin Hoyle

Russian themes dance through Italy

By a coincidence, two ballets inspired by famous Russian satirical narratives were performed in Italy as part of this summer's festival fare. At the Teatro della Pergola in Florence, Flemming Flindt's Gogol-rooted *The Overcoat* (made to measure for Rudolf Nureyev) was the one dance event expressly produced for this year's Maggio Musicale Fiorentino, while in Turin's Parco Rignon Boris Eifman's Leningrad Contemporary Dance Theatre attempted the near-impossible task of rendering Mikhail Bulgakov's sprawling phantasmagoria *The Master and Marguerite* in dance terms.

The Gogol-based ballet had the advantage of an unfailingly delightful (and for the most part apposite) accompaniment by Shostakovich, ably stitched together by Rubens Tedeschi – even if, as in Turin, the music was recorded, the orchestra of the Maggio being taken up with serious matters like opera and concerts. Unfortunately, the music provided the one wholly satisfactory contribution to the Florence production since the choreography, the scenery and to a certain extent the performance all sabotaged the work.

Beni Montresor's mannered scenery and exaggerated costumes were at fault in distancing the work excessively and overdoing the grotesque element. Keeping the space constantly wide open destroyed the tragedy: both the tailor's workshop and Akaky Akakyevich's room cry out to be enclosed.

Disconcertingly, the title object was ludicrously mis-interpreted, being conspicuously luxurious in grey silk, while the old coat that should have seemed in tatters looked in perfectly good condition apart from the nonsensically long sleeves.

As for Flindt, he introduced too many extraneous and rather colourless characters – perhaps to give opportunities to all the members of the local company, which supplied the support. None of the soloists had particularly interesting roles, and their execution was unremarkable.

More seriously, the central character was not well conceived: as a result Nureyev just never managed to convince as a downtrodden clerk. Not only did his sense of authority too often intrude, but the choreography (whether with his complicity or at his insistence, it is impossible to say) was too consistently classical in his solos. He could well at times have been interpreting some romantic 19th century character, and his elegant hand movements betrayed the role even when his feet and legs did not.

However, in its wrongheaded way, it was at least a notable performance, and the satirical intent of Gogol's great story was rarely lost sight of, even if it was not effectively expressed.

Boris Eifman, on the other hand, has no exceptional artist in his company and very oddly chooses two satirical works (the second being Beaumarchais' *Le Mariage de Figaro*) without injecting so much as a pinch of satire into his transposition.

The dancers in his 10-year-old group are evidently well acquainted with his emphatic, acrobatic style, which turns the Beaumarchais into a tediously vulgar and graceless romp to an insensitively chosen musical *collage made up of pieces by* Rossini, reorchestrated by Timor Kogan.

Having been filmed (surely the ideal medium) and much discussed, Bulgakov's complex and many-faceted novel is well known in the Soviet Union. Anyone who had not read it must have felt bewildered in Turin, for instead of selecting one or two strands for his ballet (in 13 brief scenes), Eifman has tried to include too much – ignoring, however, precisely the satire against bureaucracy in Moscow that provides the most telling character sketches to a Western eye.

He has chosen Hell for the permanent setting, so Woland (a pseudonym for Mephistopheles, taken from Goethe's *Faust*, one of the book's main sources) rules, even for the scenes at Calvary, in which the ambiguous "Master" and Jesus look interchangeable. After a quite promising opening in the smoky, canopy-enclosed cavern designed by Teymuraz Murvanidze, the piece loses momentum. The diabolical revels are jazzed up by red and green lighting and crash-bang effects from Andry Petrov's score, but they contain little of choreographic interest, the role of Marguerite (Valentina Morosova, in point shoes) being particularly poorly developed.

Rather ironically, the most *spirited dancing in the long* evening was contributed by Susanna and Figaro (Olga Kalmykova and Viktor Kabanyayev) in a classical-style *pas de deux*. The adjective "contemporary" is in any case a misnomer by Western standards, Eifman's manner being that of a rather heavy-handed distorted classicism.

More Western models will have to be studied before Soviet choreographers (who tend to imagine that Maurice Béjart is the last word in modernity) are able to credibly term their work "contemporary" with any stylistic connotation.

Freda Pitt

City of Birmingham Symphony

ALBERT HALL

Sunday night's Prom, broadcast simultaneously on Radio 3 and BBC 2, brought the City of Birmingham Symphony Orchestra and Simon Rattle to the Albert Hall for their only appearance together in the current season.

The concert was designated a commemoration of the 50th anniversary of the outbreak of the Second World War; its combination of Britten's *Sinfonia da Requiem* and Mahler's Seventh Symphony may not have been especially appropriate for the occasion but it was, musically, a potent *juxtaposition*.

Rattle conducted the standard published version of the *Sinfonia*. Britten revised and shortened the score between its rejection by the Japanese government which commissioned it and the first performance in New York; the manuscript of the original version was unearthed when Rattle and the CBSO visited Japan last year and they have played it in Birmingham.

It would have been good to hear that brought to London, though this performance was utterly compelling in its own right, seamless and precisely weighing virtuosity against expressive serenity.

The most Bergian of all Britten's works was contrasted with the Mahler symphony which comes closest to Berg's own sound world. Rattle's comprehension of this teeming, ungraspable construction grows ever more convincing and the CBSO's command yet more authoritative; almost at times too controlled, too civilised.

The pair of Nightmusics conveyed less a sense of consciousness streaming past than of memories strictly martialled; the core of the symphony seemed unusually secure, the nightmare held at arm's length.

Yet not even Rattle can make the symphony's final escape into *Mastersinger*-ish optimism entirely convincing. One looks for a saving irony, for something to indicate that the jollity is only skin-deep and that the traumas of the earlier movements cannot be so easily shrugged off.

But the ironic edge is not there, and the symphony culminates in an uncomfortable blaze of untrammelled splendour, from which orchestra and conductor rightly extracted full value.

Andrew Clements

BOOK REVIEW

The art of pretence

Scion of a Welsh farming and butchery business, Fellow of Wolfson College, Oxford, glossy magazine profile-writer and sometime book-critic for *Punch* and others, Roger Lewis compiles sentences like other people compose job-applications, shunting one qualification up against another in the hope of making a good impression. The stated purpose of this breathless, occasionally breath-taking book is to weave together "those found loitering in the force-field of theatre, the aim being to sketch a syncretic context for acting at this, the century's end."

The idea is also to propose himself as some sort of intellectually up-market Sheridan Morley, invading the aforesaid syncretic context by invoking, and fatuously disparaging, the shade of Kenneth Tynan (what, pray, was "etiolated" – a favourite Lewis word – about Tynan's spell at the National Theatre?) and flourishing his critical credentials in the exhausting first hundred pages by piling up hymns to various divas, celluloid stars, Alec Guinness, Derek Jarman's film of *The Tempest*, Orson Wellles's *Citizen Kane*, and Michael Blakemore's backstage novel *Next Season*, and meditating with flash, synthetic brilliance on such topics as Why Actors Are Quite Often Homosexuals?

That done, Lewis, staring snootily down his nose through owlish glasses on the back dust-jacket, a chubbily epicene Edwardian new fogey in a sleek fedora, sets off on a series of "curvilinear profile essays" of seven actors and one actress, Judi Dench. And, at long last, you stop wanting to throw the tome in a corner and break its spine. Here is a careful consideration of many aspects of performing, the art of pretence, the correlation between acting and espionage, the counterfeit truth.

Three of his subjects – Ian Richardson, Anthony Hopkins and Michael Williams (included as partner and husband to Dench) – impersonated, respectively, Anthony Blunt, Guy Burgess and Goronwy Rees in a television play. Richardson and Stephens both played Sherlock Holmes on film. Derek Jacobi played the camouflaged homosexual codebreaker, Alan Turing, in the West End. And Alec McCowen has portrayed a notable string of evasive, lonely inquisitors – Malvolio, Martin Dysart in *Equus*, Alceste, Professor Higgins and Hadrian VII.

Lewis tracks the lions to their lairs: McCowen finical and tart in an empty house of doors and windows, Stephens rumbustious and indiscreet in his regular pub haunt on Primrose Hill, Richardson softly grandiloquent in the Garrick Club, Jacobi jumping to in the Haymarket *Number One* dressing-room, Dench and Williams Pootering around under Ned Sherrin's supervision in a Chelsea rehearsal hall, Hopkins affably alert and rumbling

STAGE PEOPLE
by Roger Lewis
Weidenfeld & Nicolson £16.95, 419 pages

in a National Theatre office. Lewis writes himself in, too, but he packs these 30-odd page essays with florid, exegetical digressions and wonderfully sustained appreciative analysis that never once flags. The garrulity pays off and pays its way.

Ironically, given the title, most of Lewis's study is of film and television, not theatre. Richardson's long absence form the stage is not explained. Hopkins's former alcoholism un-mentioned. The Jacobi essay is probably the least successful, chiefly because the actor's personality is not invoked by the showy analysis of Turing's mathematical genius or the (to me) over-the-top rating of the *Little Dorrit* film in which Jacobi's Arthur Clennam is clumsily related to the Verdian soundtrack.

The book improves as it goes along, culminating in a triumphant juxtaposition over the *last 100 pages of Antony Sher* and Simon Callow, the one an Olivier-obsessed epic hero whose preferred characters are "urgent solipsists" eradicating their communities, the other a fulminating, Laughton-struck Epicurean whose creations are driven by appetite and a craving for "sexual and brainy fulfilment."

I am not sure about the syncretic context of all this, or the clotted accumulations of self-advertising, not always convincing, appreciations early on, but I do envy Lewis some of his witty and perceptive definitions, of Sher's Richard III, for instance, being "massively dilated Molière" (he had lately played Tartuffe, demonically), and the thoughtful consideration of Hopkins's gallery of "intrepid rapscallions"; his Antony an atavistic lumberer; his Lear a moon-man; and his Lambert Le Roux in *Pravda* a dinosaur.

Michael Coveney

ARTS GUIDE

September 1-7

OPERA AND BALLET

London

English National Opera, Coliseum. The opening works of the season are *The Magic Flute*, in Nicholas Hytner's enchantingly fresh and funny production, and *Katya Kabanova*, produced by David Pountney. The Mozart revival is conducted by Lothar Zagrosek, and the cast includes Thomas Randle, Cathryn Pope, Alan Opie and John Connell.

The Janacek brings back the Czech conductor Albert Rosen to the Coliseum, and has Kathryn Harries, Pauline Tinsley, Edmund Barham and Donald Adams in leading roles.

Sadler's Wells Theatre. For six performances the Theater Ludwigshafen (from Germany) and the Academy of Ancient Music join forces to present a "period-instrument" production of Mozart's *Entführung aus dem Serail*. The conductor is Christopher Hogwood, and the singers include Lynne Dawson, Marianne Hirstl and Douglas Johnson.

Glasgow

The only worthwhile ballet in Britain is in Glasgow where the New York City Ballet in performing in a brief season from Sept 6-10 at the Theatre Royal.

Vienna

Volksoper. The week's offerings include performances of *Die Zauberflöte*, *Eine Nacht in Venedig*, *Don Giovanni*, Millocker's *Gasparone*, *Hoffmanns Erzählungen*, *Die Fledermaus* and *Der Zigeunerbaron*.

Brussels

Théâtre du Residence Palace. *Le Nozze di Figaro* is conducted by Robert Janssens with Isabelle Kabatu, Werner van Mechelen, Marie-Noelle de Callatay, Victor Demaiffe, staged by Stefano Giuliani, with the Brussels Festival Orchestra. Sept 5, 7, 8, 9 (513 39 40).

Berlin

Hebbel Theater. *Der Schrei*, a German ballet premiere with guest Jorma Uotinen and therevived *Der grüne Tisch*. *Montezuma* in Herbert Wernicke's production returns with Iris Vermillion, Jane Giering, Gudrun Sieber and Walter Groenroos.

Philharmonie. To commemorate the 125th anniversary of the birth of Richard Strauss, his *Friedenstag* will be performed in a concert version, conducted by Heinrich Hollreiser. Singers include Sabine Hass, Barbara Vogel, Bernd Weikl and Jan-Hendrik Rootering.

Hamburg

Opera. The successful Broadway musical *La Cage aux Folles* by Jerry Herman and Harvey Fierstein will have its opening night this week, produced by Helmut Baumann with guest artists from the Theater des Westens, Berlin.

Bonn

Opera. The new season opens with *Aida*, newly produced by Jacques Karpo from France. The cast stars Livia Budai, Rosalind Plowright in the title role, Lando Bartolini, Luigi Roni, Jean-Philippe Lafont, Masuto Matsushita and will be conducted by Bonn's music director Dennis Russell Davies.

Pesaro

Rossini Opera Festival, Auditorium Pedrotti. This year's festival ends with Pier Luigi Pizzi's production of Rossini's *Bianca e Falliero*, conducted by Daniele Gatti.

The excellent cast includes American tenor Chris Merritt, with Lella Cuberli, Martine Dupuy and Claudio Bisaro (Wed) (33184)

New York

New York City Opera. Leonard Bernstein's *Candide* conducted by Stanley Silverman, running all week, revives the Hal Prince production that helped establish the company's reputation for keeping the American musical alive.

The season continues with performances of *Die Zauberflöte* conducted by Scott Bergeson in Lofti Mansouri's production with Elizabeth Hynes and Walter MacNeil and *Il Barbiere di Siviglia* conducted by Sergiu Comissiona. Lincoln Center New York State Theatre (877 4700).

Tokyo

Pina Bausch: Tanztheater Wuppertal. One of Europe's leading avant garde dance companies presents *Nelken* (*Carnation*) National Theatre (5650031).

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South Africa's election

TOMORROW'S GENERAL election in South Africa is important for one over-riding reason. For the first time since it won power 41 years ago, the ruling National Party has campaigned on the need for a constitutional accommodation with the country's black majority.

A vote for the National Party, many of the white electorate will believe, is a vote for negotiations. If this turns out to be true, the election would prove a watershed. Unfortunately, the voters have been offered a pig in a poke, so vague is the Nationalists' manifesto. Unless the party takes early advantage of its expected electoral victory, no matter how narrow, to open talks with black leaders on ways to create a democratic state, the pressure for tougher economic sanctions will intensify and the defiance campaign now under way in South Africa will gather strength.

Such talks carry a risk for the National Party and its new leader, Mr F W de Klerk. They could well lead to defections to the ultra-right Conservative Party. Many Nationalists sympathise with the Conservatives and their commitment to old-style apartheid. The compensation for Mr de Klerk, however, is that it would also open the way for a coalition with the Democratic Party, which advocates negotiations with the African National Congress.

Realignment

Such a realignment of white politics will depend on whether the National Party opts for fundamental change. Regrettably, the campaign has provided little reason to believe that Mr de Klerk is about to embark on such a course.

Having reluctantly surrendered its belief in the apartheid vision of Hendrik Verwoerd, a doctrine which permeated the life of its supporters, whether in church or on the playing field, the Nationalists give the appearance of being in an intellectual vacuum.

Nothing illustrates this better than its convoluted and opaque manifesto. It speaks of creating a system that "guarantees the political rights of groups," and protects "group values" – which to most observers smacks of old-fashioned apartheid. True, Mr de Klerk has promised "drastic changes in the constitutional sphere."

This concedes no more than what has long been apparent: that the parliamentary system, introduced in 1985, which provides separate assemblies for whites, coloureds (mixed-race) and Indians, and excludes blacks altogether, has failed.

Vague

Mr de Klerk remains as vague as his predecessor, Mr P W Botha, as to what will go in its place. Like Mr Botha, he speaks of sharing political power, and holds out the prospect of talks with "representative" black leaders. Like Mr Botha, he will surely find that he encounters the same message from black South Africans: release Nelson Mandela, the imprisoned ANC leader, and other political prisoners, so that they might join other black leaders at the negotiating table.

There are welcome signs that the National Party might be moving in this direction. It has dropped its insistence that Mr Mandela should renounce violence as a precondition to talks, accepting his broad commitment to a peaceful settlement in South Africa. Mr Mandela's move from prison cell to warder's bungalow; his meeting with Mr Botha; the opportunities he has been given to *consult with colleagues: all* this may well be a process of phased release, conditioning white and black South Africa, and allowing the ANC leader to prepare for the tumult that will mark his liberty.

But there are also signs that the party, perhaps feeling vulnerable to defections to the Conservatives, is still reluctant to grasp the nettle. The subject of the ANC, and the conciliatory negotiating proposals, presented to the Organisation of African Unity in Harare last month were not, South African and Zambian officials say, discussed at last week's meeting between Mr de Klerk and President Kenneth Kaunda.

This vacillation augurs ill for South Africa. The charitable explanation is that Mr de Klerk wants to keep the extreme right at bay until after the election. The alternative is that the new era he has promised South Africa will prove an illusion.

Protecting the countryside

A CURIOUSLY neglected area in Britain's debate on green issues has been the need to protect the British countryside. Global issues such as the greenhouse effect and local ones like nitrate pollution in drinking water have been much aired. But apart from the odd controversy about new housing, little has been heard of the dangers to the countryside from policies espoused by the Thatcher government.

Yet, as a recent Gallup opinion poll showed, Britons care about the countryside and a large majority – almost 80 per cent – believe it is in danger. The principal threats are seen as new housing, the building of motorways and rural traffic, although almost half those questioned felt that the peace and beauty associated with the country were being threatened because too many people were moving into it. The poll is fascinating evidence that the British remain as attached to the countryside as ever.

What may be more important for politicians is that 48 per cent of Britons say they "are concerned enough about the countryside and nature conservation to consider voting for another party in a general election." Fewer people are likely to vote Green in a general election than voted so in June's Euro-elections. Yet the message seems clear. The government's concern for the environment must also embrace what seem to be widespread fears about the degradation of Britain's countryside.

Policy success

Part of the government's problem in taking countryside protection seriously stems from the success of its own policies. In many regions of rural Britain, the recession of the early 1980s and the recent downturn in farming's fortunes, have given way to an explosion of non-farming economic activity. New, often high-technology based industries have created jobs, while better transport links have made remote areas accessible and attractive to incomers.

The fillip this has given the rural economy is welcome, but there is a downside: in new, often ugly, housing; too dense for a rural environment, in crowded roads and in the erosion of peace and quiet.

Some of the government's detailed new proposals – such as that to allow farmers an even wider exemption from planning permission to diversify into, for example, safari and *amusement parks* – would only compound the problem.

More broadly, while the post-war planning system has failed to cope well with the new developments, the government response has been the wrong one. Its White Paper on proposed planning reforms would give more power to local authorities at district level, thus weakening strategic planning in the countryside as a whole, just when the argument for *strengthening it is* stronger than ever.

Strategic decisions

There are major strategic decisions ahead which will radically affect the countryside: they range from the sale of land of high landscape value throughout Britain by the newly privatised water authorities to plans for a £12bn motorway improvement.

Beyond that, however, the very pressure of population in rural areas, particularly – but not exclusively – in southern England, combined with voters' evident wish to conserve its values, calls for some new, national thinking on precisely what it is we want from the countryside.

The Pearce report, published earlier this month and welcomed by Mr Chris Patten, the new Environment Secretary, as "very close to his own thinking," may provide a good beginning. *For Professor* Pearce, an environmental economist, espouses the notion that society should put an economic value on "natural" assets like landscape, just as it does on the motorways or housing which degrade it. The trade-off between the two could then be more clearly appreciated and be taken into account in government plans – and at elections.

The concept is a difficult one, and does not sit easily with the free enterprise philosophy of the Thatcher revolution. But Britain's landscape is too fragile and its countryside on too small a scale for the government's present "plans" for it to continue unchanged.

Kevin Done reports on the problems besetting Europe's smaller car-makers

Saab needs a partner — and it is not alone

Only 18 months ago Saab-Scania appeared to be a role model for the European motor industry.

As Daimler-Benz diversified into defence and aircraft-building, and British Aerospace bought Rover Group, the UK car maker, it was natural to look to Saab's example. The Swedish blue-chip group had long had extensive interests in cars, trucks, aerospace and missiles.

Television commercials showed Saab-Scania's Viggen jet fighter screaming into the sky above the group's latest car offering. The commercial conveniently omitted the fact that the group was making most of its money from the far more mundane but lucrative activity of truck making.

And a more complete picture today would add that Saab's jet fighter programme is facing frightening cost over-runs; that the first prototype of its multi-role combat plane for the 1990s crashed spectacularly in February; and that Saab's car division has now made an equally spectacular crash landing.

The group revealed yesterday that *the car division has plunged into deep* financial troubles, with losses of around SKr800m (£77m) in the first half of 1989 alone. At the same time it confirmed for the first time that it is negotiating with Ford of the US on some form of co-operation to salvage the battered car operations.

While the US dollar was strong in the mid-1980s, Saab's car operation, a minnow of the world automotive industry, was able to make easy profits in the US. In this it was much like other specialist European car makers such as Jaguar and Porsche, which have also been dangerously over-dependent on the whims of American luxury car and specialist car buyers.

The bubble has burst in the last two years, however. The value of the US dollar has plummeted. Sales of European luxury and executive cars in the US have tumbled, as the European car makers pushed their prices up to unrealistic levels to try to bolster their falling US profits. Saab's sales in the US fell to 38,000 last year from 44,400 in 1987 and 47,000 in 1986. In the first seven months of 1989 its US sales fell 13.3 per cent to 19,828.

Saab is not alone. Porsche sales in the US are still falling, forcing a far-reaching retrenchment of the West Germany company's earlier grandiose sales and production ambitions. Later this month Jaguar, the independent UK luxury car maker, will disclose another steep fall in profits for the first half of 1989, as it edges perilously close to the break-even point.

Even West Germany's Mercedes-Benz cars have suffered a 16.2 per cent fall in US sales in the first seven months this year. Along with BMW, its arch domestic rival, and the other European car makers, Mercedes has been forced into the indignity of offering discounts and sales incentives in order to "move metal" in the best traditions of the volume car makers.

Saab has been perhaps the most extreme sufferer among Europe's specialist and luxury car makers, however. It lacks the size and resources to compete when the going gets tough, but is exposed to a particularly competitive segment of the world executive car market. It might have a bigger production volume than a Jaguar or a Porsche, but it is still competing in less rarified segments of the world car market than these two luxury European marques.

With total car sales last year of 116,300, Saab ranks as one of Europe's smallest specialist car makers. Its domestic rival Volvo had sales last year of 400,900; BMW of West Germany plans to make 500,000 cars this year; and Mercedes-Benz made 559,713 cars last year.

In addition, all car makers in western Europe and North America are facing a serious challenge from Japan, particularly noticeable in the speed at which the Japanese auto manufacturers are able to develop new models and bring them to the market.

Saab has slim resources with which to meet this challenge. It has performed marketing marvels during the 1980s, but its basic lack of new products is now being shown up at a time when the financial stakes and risks are rising relentlessly.

Even the giants of the industry – from General Motors and Ford of the US to Toyota and Nissan of Japan and Europe's Volkswagen – have accepted that alliances, joint ventures and collaborations are inevitable as the financial burden of capital investment and model development programmes grows.

Hence Saab's announcement yesterday that it is seeking some form of supportive co-operation with Ford. The only surprise is that the move has been made so late.

Saab has performed marketing marvels in the 1980s, but its basic lack of new products is now being shown up

Saab has come a long way since its eccentrically-shaped two-stroke car of the early 1950s – a sort of Nordic answer to the Volkswagen Beetle. That first car lived on in various guises for more than 30 years. In the second half of the 1970s, however, after a period of heavy losses, the group embarked on a radical change of strategy.

It accepted that its only route to survival was to concentrate on exclusive well-equipped high performance cars, exemplified by the Saab 9000, launched after nearly 17 years of trying in mid-1984.

To develop this car, Saab pooled technical resources with Italy's Fiat group and Alfa Romeo of Italy (then still independent). The 9000 range is only the group's third entirely new model in around 40 years of car-making. According to senior executives, little more can be expected in terms of fundamental new model launches before 1991 or 1992.

Mr Georg Karnsund, Saab-Scania's hard-pressed chief executive, accepts that the Saab car division has had "insufficient volumes and the costs per produced unit were excessive." Earnings are set to deteriorate further during 1989. Saab has already reshuffled the top management of its car division, and announced a cut of 1,500 to 2,000 over the next two years in its 15,500 strong car operations workforce. It is seeking to sell off non-essential components operations in three locations in Sweden and one in Norway which could involve the loss of a further 1,500 workers, and it is cutting production in order to cope with bloated stock level in the US.

Next month, ironically, it is scheduled to bring its new Malmö car plant, built at a cost of more than SKr1bn, into production. This could increase available capacity to around 180,000 cars a year in the early 1990s. Last year's sales came to only 116,300 units, a drop of 11.4 per cent, and production this year is now scheduled to total no more than 111,000. Much depends on how quickly Saab can halt the slide in North America.

Mr Karnsund blames the car division's problems squarely on the problems in the US. For logistics reasons cars for the US market are produced at the beginning of the model year starting in the autumn. "When the US market sagged it was impossible to divert cars built to US specifications to other countries because of differing legal requirements," said Mr Karnsund. The group was left with bloated stocks of US cars of around 3,000 units, which were unlikely to be eliminated before the end of the year.

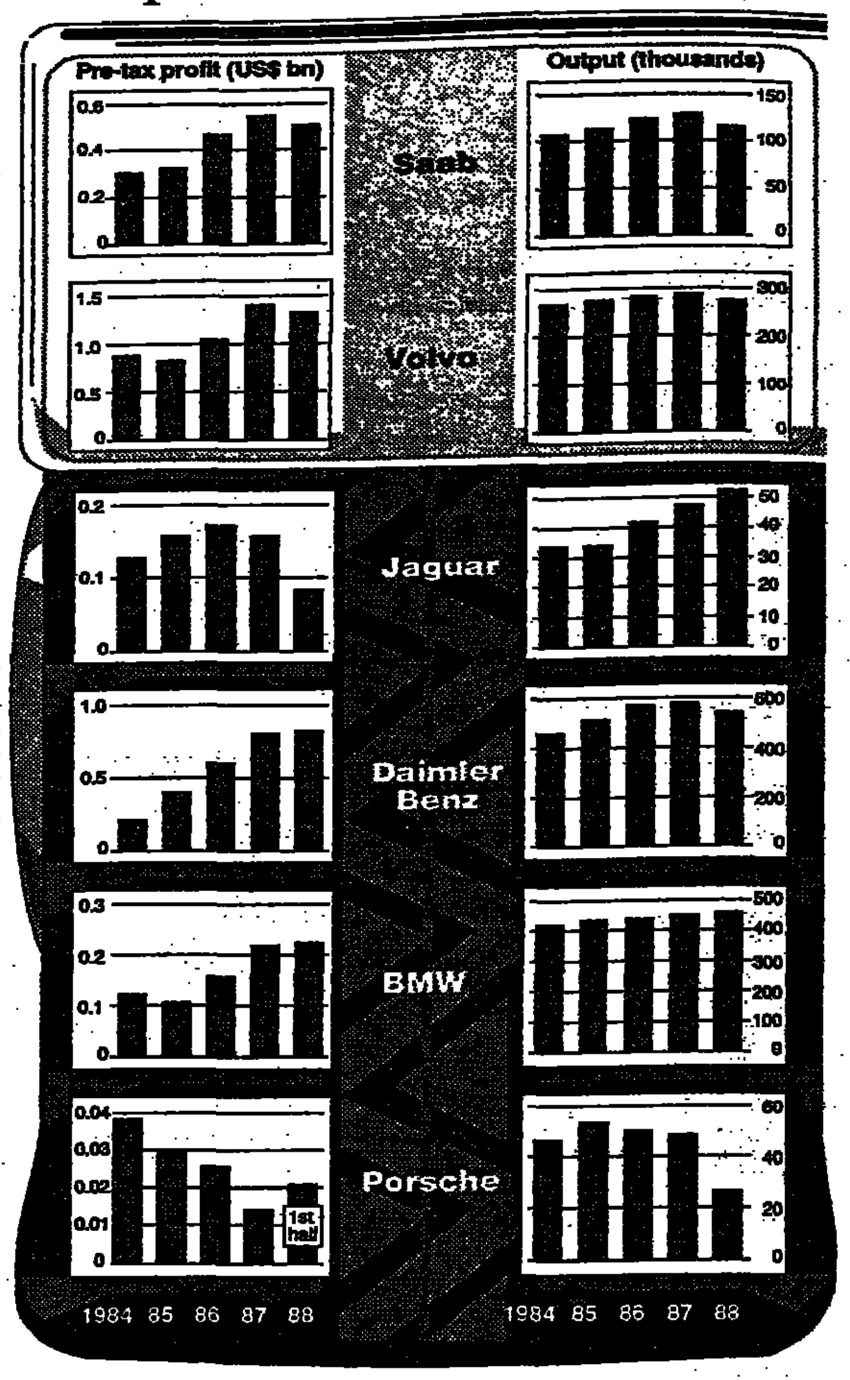
At the same time "the steep rise in costs in Sweden has successively reduced the productivity and competitiveness of our industry," he said. Absenteeism at the group's main car production plant in Trollhättan is running at around 23.4 per cent among blue collar workers, while the plant has a workforce turnover rate of around 25 per cent a year.

By cutting production Mr Karnsund hopes that Saab will be no longer have "to push cars on to the market . . . This will allow a major reduction in our discounts, as well as cutting capacity, storage and interest costs."

In time, however, Saab must increase its volumes again. Mr Karnsund says it must build a production volume base that could bear high product development costs. Maintaining a capability in product development was "a question of long-term survival," he says. "My basic view is that we would achieve bigger volumes faster through collaboration with a suitable partner."

Whether Ford is that partner remains to be proved, and both companies *refused to elaborate on what* form a collaboration could take.

With around 11.2 per cent of the West European car market, Ford is in fourth place behind the Volkswagen group of West Germany, Fiat of Italy and Peugeot of France. Unlike its rivals, however, Ford must currently rely on only one brand-name. VW includes Audi and Spain's SEAT, the Fiat group includes Lancia, Alfa Romeo and Ferrari, while Peugeot also has the Citroen marque.



Ford has made no secret of its ambition to acquire additional marques in West Europe. In the second half of the 1980s it has already held abortive talks with the UK Government about the takeover of the Austin Rover car operations (including the still attractive Rover and MG brand names), and it has unsuccessfully sought a merger of its European car manufacturing operations with those of Fiat.

It has made warm noises this year about Jaguar, which will be brought into play at the latest from the end of 1990 when the UK Government's so-called blocking golden share expires, and it already owns 75 per cent of Aston Martin and 51 per cent of AC, the tiny specialist UK prestige and sports car makers.

Ford has already shown itself to be one of the most flexible world car makers in seeking out collaborative ventures and is creating one of the most explicit webs of alliances, which, says Mr Donald Petersen, Ford's chairman and chief executive, "give us access to markets and customers we might not otherwise reach."

It has close ties with Mazda of Japan; several collaborative projects with Nissan, one of Mazda's chief domestic rivals; and an equity stake in Kia Motors in South Korea. In South America it has chosen to pool its activities with the local operations of Volkswagen of West Germany. Ford owns 49 per cent of the resulting company, Autolatina, one of the largest joint venture companies in the world auto industry.

Ford could certainly bring Saab new marketing muscle in the US. A collaboration with the Swedish producer could offer a way of easing Ford's tight capacity problems in Europe and even offer a way of bringing Mazda, its Japanese affiliate, into Europe – a project that is also now under consideration.

It is still to be shown what the ultimate cost to Saab of Ford's help would be, however. It appeared for a time in the early 1980s that small could be beautiful in the world auto industry, when many of the giants were making huge losses. But the tables have been turned again, and it is the volume makers that are now making the profits.

Collaboration will be increasingly unavoidable for all the industry's participants. For the second-tier producers, such deals are now a matter of sheer survival – but the shift of balance in the industry has ensured that the bargains will be struck on the big companies' terms.

OBSERVER

Diplomatic football

■ It is perhaps lucky that Chile is one of only two South American countries that does not share a border with Brazil (the other is Ecuador). If it did, the tanks might even now be massing on either side following the events in Rio de Janeiro's *Maracana stadium on Sunday* night.

As it was, Chilean football fans contented themselves by stoning the Brazilian embassy in Santiago.

Everyone expected the World Cup qualifying game between the two countries to be potentially explosive – not least because if Brazil lost it would be the first time ever the national squad failed to reach the finals. In the first round in Santiago last month, the Chileans hacked their way to a 1-1 draw, courtesy of an appalling referee and an indirect free-kick placed three yards from the goalmouth and taken while the Brazilians were still appealing.

The protests from the Brazilian footaball association persuaded Fifa, the game's international overseer, to force Chile to play its next home qualifying game on neutral ground in Argentina.

Back in Rio, hoteliers like Jose Eduardo Guinle of the stately Copacabana Palace proved their patriotism by refusing to shelter the Chilean team and their controversial manager. "I will not accept a team of gangsters led by a lunatic," he said.

When they finally arrived, the Chileans' security would not have disgraced a visit by President Bush to Beirut.

Brazil were leading by a single goal when a 24-year-old secretary, Rosemary Melo, chose to enliven her first visit to the stadium by launching a maritime distress flare into the Chilean goalmouth. The Chileans walked off and did not come back.

All this is regarded by the foreign ministries of both countries as the most important single event in their usually uncontroversial bilateral relations since the fall of Chile's President Allende.

The matter is being referred to Fifa in Zurich where the president, Joao Havelange, is a Brazilian. It goes without saying that his countrymen expect him to do his duty.

Precedents

■ It will be remembered that the precedents for trouble on the field include a football war between Honduras and El Salvador in 1969. Assuming such hostilities are avoided, the Fifa rules say that, if a team abandons the field, it will lose by 2-0 if the score is less than that. But the Chileans argue that it would have been impossible for them to go on because there were no guarantees that such an incident would not be repeated.

For the record, in a game between Holland and Cyprus in October 1987 the Cypriot goalkeeper was also injured by a missile. The Cypriot team continued with the game, losing 8-0, but later filed a petition to annul the match and have it replayed. The request was granted by the European federation.

Real Irish

■ An Irish friend swears this story is true. A woman preparing her husband's Friday salmon sandwiches gave the scraps to the cat. About lunchtime she notices the cat staggering about the house. Assuming the worst, she phones her husband.

"Have you had your lunch?" "Yes," he replied, "the sandwiches were delicious." "Then go to the medical centre and have your stomach pumped out. I gave the scraps to the cat and it's staggering all over the place."

The husband came home feeling worse than the cat.

Come Saturday, the husband, still feeling delicate, opens the front door to let the cat out and sees the milkman leaving the day's delivery.

"Glad to see your cat's all right now," says the milkman. "I got a bit worried yesterday because I dropped a pint of milk on its head."

"Norman's doing rather hush-hush community work."

Luck ran out

■ It is the end of the road, or almost, for Pentti Kumpumaeki, a 37-year-old Finnish bachelor who mysteriously came into money.

The Tampere city ex-postman was sentenced to prison for 2 years and 10 months yesterday for gross embezzlement. He had pocketed, and largely spent, FM4.7m ($1.06m) that was accidentally deposited in his savings account by SOK, a large Finnish firm.

The money began to be paid in last February and continued to arrive over the next few months. Kumpumaeki did not ask any questions; nor did he waste any time. He left his low-paying civil-servant job in March, later, purchased a lavish FM1m ($227,000) house and bought two cars and a boat. He also took a group of 10 friends on holiday to Majorca at his expense and gave them each *FM10,000* pocket money.

On July 10 Kumpumaeki was arrested after SOK discovered that it was not a Lapland-based firm it was paying its bills to, but an ex-postman living it up in Tampere. SOK had paid the sums of money almost to the right account, but had added an extra zero to the number.

Kumpumaeki pleaded not guilty and is planning to appeal. An estimated FM2m is still missing.

Autocratic

■ Mrs Thatcher has demanded an autocue – in the manner of ex-President Reagan – for her address to the 100th anniversary meeting of the Inter-Parliamentary Union in London tomorrow. Although the Prime Minister has used one before, they are not yet standard installations even in the *Queen Elizabeth II Conference* Centre, and officials expressed surprise that she alone should want one. Nevertheless, she is getting her way.

Modern peril

■ Cautionary note for errant spouses: be careful when you program your mobile telephone's memory bank of frequently dialled numbers. One wife I recently heard of made an unpleasant discovery when she borrowed her husband's handset. He had stored her phone number as memory 3, his office as 2 – and another woman as 1. The marriage has not recovered.

LETTERS

Health and safety in the UK workplace

From the Chairman, Health and Safety Commission.

Sir, Kevin Brown's article on UK transport congestion ("Safety-cost conflict," August 23), suggests that there are misgivings about the independence of the Health and Safety Executive and its civil service staffing. This is certainly not the view of the Health and Safety Commission – nor of other commentators.

The Health and Safety at Work Act 1974, which was enacted for the protection of people at work and the public from threats to their health and safety from industrial and commercial activity, including major industrial accidents, set up the Health and Safety Commission and the Health and Safety Executive. Their position as statutory bodies guarantees the day-to-day independence from Government necessary to enable them to fulfil their functions and command public confidence.

Many of the Commission's and the Executive's activities border on or overlap with those of departments of state with responsibilities for such matters as public health, transportation, energy, environmental questions and public security. In some cases the Commission assists these departments in the execution of their policies, or departments act on its behalf.

In others, it acts on its own behalf in pursuance of its statutory functions. In fulfilling its task of reforming the law on health and safety, the Commission makes proposals to the relevant Secretaries of State.

The Commission is appointed by the UK Secretary of State for Employment, who can give statutory directions to it. It is made up of representatives of employers, trade unions and local authorities. The Commission's main instrument is the Health and Safety Executive which, through its inspectorates, enforces health and safety law in most UK industrial premises, to protect both workpeople and the public.

The Executive advises the Commission in its important task of laying down safety standards through regulations and practical guidance for very large numbers of industrial processes, liaising as necessary with Government departments and other institutions.

The Executive is also the licensing authority for nuclear installations. Its director general and other two members are appointed by the Health and Safety Commission with the approval of the Secretary of State. In carrying out its statutory functions the Executive acts independently of Government, guided only by the Commission as to general health and safety policy.

John Cullen,
Health & Safety Commission,
Baynards House,
1 Chepstow Place,
Westbourne Grove, W2

Ill treatment of a treaty

From Mr F. Brian Hayes.

Sir, I have remonstrated before against the fashion for unilateral renegotiation of double taxation treaties.

The UK Government has discovered, with regrettable enthusiasm, the simple device of amending the sections of the Taxation Acts which give effect to treaties generally, while the US merely applies the doctrine that the last act of Congress over-rules all other legislation.

The UK, the world's second largest holder of foreign direct investment, can only lose from this process. Indeed, we now find that most, if not all British investment in the US is now placed in serious jeopardy.

Proposals before Congress, if enacted, will so dilute the value of the UK/US Double Taxation Treaty as to render it virtually a worthless scrap of paper. I refer to the proposals relating to "income stripping." These are flatly contrary to Article 11 of the Treaty.

I would have hoped that UK Treasury ministers would forcibly point out through official channels that there is not much point in having a treaty if either side feels free to alter its domestic legislation in clever ways so as to render the treaty meaningless. As it is, we would seem to have been stripped of this one all-important argument.

F. Brian Hayes,
Coopers & Lybrand,
Plumtree Court, EC4

Skill is doing

From Miss Joyce Cade.

Sir, You are right to be sceptical ("First step on the skill ladder," FT leader, August 30) over the anxieties of a group of academics at the National Institute for Economic and Social Research about the efforts of the National Council for Vocational Qualifications to introduce sensible and progressive systems for assessing practical skill levels on the job.

For years we have been hearing the complaints of employers and industrialists about the inadequate skills of school leavers. One problem has been that the emphasis was always on writing about things, not on doing them.

Giving credit to people for their practical skills without demanding that they write essays or complete multiple choice question papers is wholly to be welcomed. The fact that academics see this as validating "semi-literacy" is a classic example of educational snobbery.

In the training industry we confidently expect our often-quoted German partners to start using our work-based training and assessment techniques, once they realise how much better they are than the rather hidebound methods currently favoured in the *Sachhochschulen*.

Joyce Cade,
Cambridge Training & Development,
43 Clifton Road,
Cambridge

Management skills defined

From Mr Andrew Campbell.

Sir, The French study on diversification (Management page, August 11) raises the issue of focus in a diversified company. Kenneth Gooding records the study's conclusion that diversification is most successful when it is based on a corporate skill. According to l'Ecole des Mines, companies with a clear idea of their skills are better at diversifying.

Work we have done supports this. It is not a new thought, yet it is subtly and importantly different from the old concept of "core" businesses – and this is where Kenneth Gooding confuses the issue.

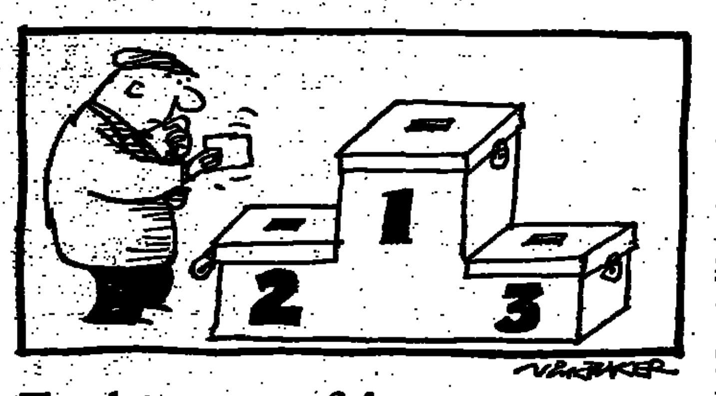
He draws a parallel with the "back to basics" trend showing the similarity between the concept of related skills and the idea of industry focus. It is more useful to explain why these are different. The "core business," or "back to basics" slogans have come to mean focus on one industry. This view argues that businesses are related if they have similar products or similar markets or trade with each other.

The "related skills" thought differs from the "back to basics" thought. It argues that businesses are related if the management skills, such as production or marketing, are similar. This does not necessarily mean that the businesses are in the same industry. (One example was Philip Morris's move from tobacco into beer, where it used marketing skills to revitalise Miller.)

The difference between the back to basics slogan and the skills slogan becomes greater when attention is placed on "parenting" skill: the skill of the headquarters team.

By understanding parenting skills, new kinds of relatedness emerge. Hanson's portfolio of mature, basic businesses can be seen to be related. The portfolio of a venture capital company can also be seen to contain related businesses because they are all start-ups, needing the same kind of support from their parent company.

Andrew Campbell,
Director, Ashridge Strategic Management Centre,
17 Portland Place, W1



To show more fair

From Mr John Spellar.

Sir, It may well be – as Joe Rogaly says ("Politics Today," September 1) – that a pledge to reform our voting system would attract voters to the Labour party. That is not the same as proportional representation, although there has been a strong campaign to persuade the public that they are synonymous.

An equally valid system has been proposed by Banbury Constituency Labour Party. "Conference is aware that the British electoral system is unfair, but it does not accept the case for proportional representation. Conference therefore calls on the next Labour government to replace first-past-the-post voting with the 'one, two, three' system (the alternative vote)."

To this has been added an amendment by the EETPU. "Such a system would preserve the historical principle of the single member constituency while ensuring that representatives have the support of the majority of voters."

John Spellar,
Electrical Electronic Telecommunications & Plumbing Union (EETPU),
Hayes Court,
West Common Road,
Bromley, Kent

Hong Kong and the EC

From Mr Nigel Johnson-Hill.

Sir, Freedom to cross frontiers, to reside, settle and work in each other's countries is an EC commitment.

Thus 250,000 Chinese from Macau who have been given the right to reside in Portugal will have the right to reside in the UK or in any other EC country. Similarly, 3.25m Hong Kong Chinese, if given the right to reside in the UK, will also be able to settle in any other EC country. So the question of residence for Hong Kongers should be decided by the foreign secretaries of all 12 EC member states.

In the 1970s, the UK government created a new type of British citizen and issued a British passport which excluded the right to reside in the UK. If such a selective type of citizenship can be created once, it can be done again.

Hong Kong Chinese could be granted the right to reside in the UK, with two restrictions. A non-EC immigrant into the EC must spend, say, two years in the host country before becoming free to take up residence in another EC country. This would probably alleviate some EC foreign ministers' fears – immigrants, once settled in a new country, tend to stay in that country.

Second, the UK government could direct the new immigrants to certain parts of the country – again for a minimum two-year period. Samuel Brittan suggests encouraging the immigrants to the underpopulated north of England (August 10). I suggest that the prime target area should be Northern Ireland. Hong Kong entrepreneurial skills would transform the local economy, and the presence of a large number of Hong Kong Chinese could go some way to defusing the current tensions.

Nigel Johnson-Hill,
Park Farm, Milland,
Liphook, Hampshire

Knots in the knitting

From Mr John Harrison.

Sir, The "Textile Managers blamed for slump" headline on Alice Rawsthorn's report (August 25) on the recent survey of management training in 29 firms in the clothing and knitting industries is as unfortunate as it is misleading.

It acknowledges that "the clothing and knitting industries are probably not very different from most of Britain's other industries in their attitudes to management training and development." But no one should be deluded into believing that the principal cause of the undoubted slump is management performance.

This decade has seen, in the UK knitting industry, an unprecedented surge in productivity (up 40 per cent since 1980); £266m in investment in new advanced technology between 1982 and 1986 (latest available figures); an explosion in design capability to meet increasing dynamism in the market place; fierce international competition in home and overseas markets, with exports up by 50 per cent between 1980 and 1988 to £700m. Could such achievement be attributed to industries with low calibre management?

The real cause of the slump is over-exposure to unfair competition, particularly from the less developed countries (LDCs) and the newly industrialised countries (NICs). These, in their first steps towards industrialisation, invariably invest in garment production facilities. On top of comparative low-cost labour advantage (as low as 10p per hour), many enjoy heavily subsidised exports and investments in buildings and machinery, export subsidies and, paradoxically, have markets protected by penal tariffs of over 100 per cent.

An undervalued US dollar, to which many of these countries artificially link their own currencies, has increased their price competitiveness in relation to the UK by 65 per cent since 1985.

John Harrison,
Knitting Industries Federation,
7 Gregory Boulevard,
Nottingham

'UK Government has resorted to legal acrobatics over asylum'

From Miss Sally Baden.

Sir, John Patten, the Home Office Minister (Letters, August 29), challenges Edward Mortimer's argument that humanitarian standards in the treatment of asylum seekers are declining in the west ("The Closing Door to Sanctuary," August 22), by picking at details out of context.

As the supplier of much of Mr Mortimer's information, I concede that the article contained one error: it is indeed true that the five Tamils mentioned were not returned to Sri Lanka within four days of their arrival. But two of the five Tamils mentioned *were* among a larger group of asylum seekers whom the Home Office attempted to remove on February 17 1987, four days after their arrival. And despite evidence of persecution of the five Tamils after their return, the UK Government has resorted to legal acrobatics to try to block their asylum claims.

The issues and arguments raised by Mr Mortimer's article cannot be so easily dismissed, as the full story of what happened to these and other Tamils illustrates. The real issues arising from this case are:

● That the Home Office's own procedures were ignored in the rush to remove the 58 Tamils in February 1987.

● That the Home Office Minister, of that time, publicly denounced asylum claims as "bogus" before any thorough investigation of the cases;

● That as the costly and lengthy legal wrangle which ensued – reaching as far as the House of Lords – was not a full examination of the validity of asylum claims, but rather centred on points of law. The first factual appraisal of the five asylum cases was the one heard by the immigration appeals adjudicator *after* their removal to Sri Lanka. (The Government has continually refused to establish an independent appeal system, accessible to all asylum seekers *before* removal, to examine the substance of their claims);

● That it has now been established that the five February 1988 returnees have been detained, beaten and/or tortured since their return, and forced into hiding or exile elsewhere.

● That after evidence of their maltreatment came to light, the Home Office persisted in trying to block the return of the five, although a legally binding ruling that their asylum claims were – and are – valid was made by the immigration appeals adjudicator in March of this year.

Mr Patten has to agree with Edward Mortimer that the proportion of applications granted refugee status is decreasing, but goes on to say that "throughout Europe, the number of people granted refugee status has increased substantially since the 1970s, while their proportion of a hugely enlarged total has fallen."

It is sometimes convenient to obscure the UK record in the more generous European one. In the UK, the *number* of people granted refugee status fell from 1,147 in 1980, to 378 in 1987; with a fall in proportion from 64 per cent to 13 per cent. (British Refugee Council, November 1988: based on Home Office Statistics.)

Most worrying of all, however, is Mr Patten's assertion that "the reasons for this increase (in numbers of asylum seekers) are largely economic . . it is a delusion to think that unemployment and poverty in the third world can be solved by 'economic' migration to the west."

Are Sri Lankan Tamils, an oppressed minority in a state in civil war, "economic" migrants? Are Iraqi Kurds fleeing from extermination by chemical weapons "economic" migrants? Were Iranians running from persecution in Khomeini's Iran simply seeking a better life? These are among the largest groups of asylum seekers coming to Britain in the 1980-87 period.

It is one thing to make a genuine mistake; it is another ruthlessly to pursue the goal of reducing immigration statistics, at the expense of human suffering and – one day, if it has not happened already – human lives.

Sally Baden,
Refugee Studies Programme,
Oxford University

FOREIGN AFFAIRS

Unshakeable grip of war in the South

Edward Mortimer on superpower intervention in the Third World

In my parish church this Sunday we were told to feel grateful, not so much to those who gave their lives or made other sacrifices for our freedom in the war which began 50 years ago as to the Almighty for allowing us to live in "the peace of 1989."

As a European I feel grateful for living where I do, but above all for living when I do. In so many other parts of the world – Lebanon, Afghanistan, Cambodia, Sudan, Angola, El Salvador, Colombia (to pick a few at random from the headlines) – the words "peace of 1989" must have a desperately hollow ring.

According to Patrick Brogan, in his recently published survey, World Conflicts*, "about 40 countries in the world are in the unshaking grip of war, rebellion, infiltration, terrorism or endemic banditry." Since 1945 there have been at least 80 wars, says Brogan, resulting in the deaths of *between 15m and 30m people*; and he calculates that there are well over 30m refugees in the world today – "probably as many as there were during the mass movements of people after World War II" – if one includes people who have fled their homes without crossing an international frontier.

Surely at least things are getting better rather than worse? Not necessarily. In the West we tend to assume they are, because in some respects things are going our way – a phenomenon savagely attacked in another recent book** by Fred Halliday, Professor of International Relations at the London School of Economics. "The cultural climate in the developed world," he writes, "has been marked [in the 1980s] by mass narcissism and historical amnesia: this has nowhere been clearer than in the belief that we are living in a world of one, ever-freer, 'modern' and universal political culture, with an increasingly and beneficially unified political system."

The burden of Halliday's book is to question whether the Third World can expect to benefit from the recent improvement in superpower relations. His broad conclusion is that it cannot. This is partly because he has a bias in favour of revolutions, born of a strong distaste for the status quo. That leads him to regard American interventions in the Third World, which are avowedly counter-revolutionary, as on the whole more damaging than Soviet ones; and he sees the current *détente* as an asymmetrical affair, produced by a Soviet retreat before a US offensive, rather than by an equal willingness of both sides to make concessions.

The last point is pretty well incontrovertible, the foregoing ones much more dubious. Certainly the status quo in most Third World countries is *appalling, since it includes not* only grinding poverty, even malnutrition, for the mass of the population but also conspicuous maldistribution of resources, corruption, and often also vicious repression, without which such a state of affairs would hardly be tenable. And we may concede to Halliday, as virtually a truism, that "where non-revolutionary transitions are resisted, and the ruling group prevails against political opposition, logically the 'prospects of revolution increase, as the only available means of challenging a dictatorial system."

Well fed and educated people do not guarantee peace

The trouble is that the condition of the people after the revolution seems almost always to be worse than it was before. Partly, it is true, this fact can be blamed on the various forms of blockade, isolation and destabilisation to which the revolutionary regime is subjected by outside powers, usually led or at any rate egged on by the US. But that is not the whole story, and Halliday is honest and lucid enough to tell some other parts of it. Much suffering has been caused by the "mistakes" of revolutionary regimes in economic policy, and by their reckless attempts to impose social reforms which may or may not be in the interests of the masses but which the masses do not want and are prepared actively to resist. "Any process of radical transformation almost inevitably encountered resistance within and hostility without, and was bound to lead to a strengthening of the state and of its security apparatuses and a denial of democratic control over *them." Moreover, revolutionary élites* often seem to be even more imbued than their predecessors with nationalist and chauvinist ideologies, with dire consequences for ethnic or communal minorities which are seen as obstacles in the great task of unifying the "nation" behind the revolutionary project.

Halliday shows that Soviet policy makers, well before the advent of Gorbachev's "new thinking," were aware of many of these pitfalls and tried to warn Third World revolutionaries against them. All the same, the net effect of Soviet interventions has been to shore up such regimes, providing them with weapons and other resources which they have used mainly for repression or civil war, and so to prolong the conflict and suffering for which they are responsible.

On the American side, it is easy to share Halliday's impatience with the gung-ho rhetoric of the Reagan doctrine. One notes, however, that even he is constrained to admit that the invasion of Grenada was welcomed by "almost the entire Grenadan population"; and I cannot help feeling he is a little too dismissive of "the parallel political strategy of confiscating and deflecting revolts before they succeeded," by which is meant intervention to pre-empt revolutions through non-violent political change. The present regimes in South Korea and the Philippines may not be perfect, but are surely preferable both to what went before and to what might have been if the outgoing dictators had been left in place until swept away by revolution like the Shah in Iran.

For my money less intervention by both superpowers would be a net plus, and the present form of Soviet disengagement, accompanied by pressure on client regimes and movements to accept negotiated compromises is a definite plus, although I agree with Halliday that civil conflicts are inherently less amenable to compromise than international ones. But his strongest point is the economic one: the supposed triumph of open-minded liberal capitalism has so far been accompanied by a driving-down of living standards in much of the Third World, caused partly by deterioration in the terms of trade and partly by the need to compete for capital with the world's largest economy, which has financed the "recovery" of the industrial economies through huge borrowing. Northern markets have not opened significantly to southern manufactured products, and northern labour markets are more firmly closed than ever to would-be southern migrants.

Even here, though, one can detect some bright spots. "By the 1980s," Halliday writes, "it was evident that capitalist states [in the Third World] could achieve substantial rates of socio-economic development" and that "not all were sanguinary dictatorships." Can the same be said of revolutionary states?

It may not be pure coincidence that since 1945 the most destructive conflicts have occurred in the poorer parts of the world. A well fed and educated population does not guarantee peace, but it probably improves the chances. Liberal capitalism so far has a better track record in producing well fed and educated populations than other socio-economic systems. The snag is that it requires a minimum of order and tranquillity to get going. Much of the Third World today is caught in a vicious circle: bitter ethnic and communal hatreds sustain a climate of violence, in which the economic development that might allow such hatreds to be overcome is not possible. Until that vicious cycle is broken, the peace and prosperity of the industrial North will remain morally uncomfortable and physically precarious.

**World Conflicts: why and where they are happening. Bloomsbury £19.95.*
***Cold War, Third World: an essay on Soviet-American relations. Hutchinson Radius, £14.95.*

FINANCIAL TIMES
Tuesday September 5 1989

OPTIONS ON SHORT-RANGE NUCLEAR WEAPONS

Nunn proposes two-tier plan for arms talks

By Robert Mauthner, Diplomatic Correspondent, in London

A NEW approach to arms control which would allow the exploration of the controversial issue of the reduction of short-range nuclear weapons in Europe was proposed yesterday by Senator Sam Nunn, the chairman of the US Senate Armed Forces Committee.

Nunn: nuclear deterrence indispensable to Nato security

Senator Nunn, who was delivering the annual Alastair Buchan Memorial Lecture to the International Institute for Strategic Studies in London, put forward a two-tier plan which would provide for the preparation of future arms control agreements while present negotiations were being completed.

The first tier would concentrate on "the art of the possible" and seek to finalise negotiations which were already well advanced, such as the Vienna-based conventional forces talks, the strategic arms talks and the chemical weapons negotiations.

At the same time, a US/Soviet experts group would be set up to explore future options without attempting to negotiate specific agreements.

Only if the experts reached agreement on a basic conceptual approach and decided that there was a genuine opportunity for achieving accords on specific issues would their talks be transferred to a formal negotiating forum.

Senator Nunn suggested that the agenda of the second tier should include exploratory discussions of a ban on all land-based multiple warhead missiles, a ban or limitations on nuclear sea-launched cruise missiles, limitations on anti-satellite systems and nuclear tests and even deeper cuts in conventional forces than those being discussed at present.

But his most original proposal was that the current arguments within Nato about the Soviet Union's offer to negotiate cuts in short-range nuclear weapons in Europe should be defused by holding exploratory discussions with Moscow on the subject.

Senator Nunn, who stressed that he remained firmly opposed to the denuclearisation of Europe and that nuclear deterrence would remain indispensable to Nato's security, said such exploratory talks would establish whether fears that the Soviet Union was intent on abolishing all short-range nuclear weapons were well-founded.

Emphasising that recent developments in the Soviet Union presented the West with an unprecedented opportunity for "revolutionary advances" on arms control, Senator Nunn called on the Western allies to show resolve and vision to prevent Nato from becoming an anachronism.

The Alliance's priority must be to develop an appropriate strategy for responding to change in the Soviet Union and Eastern Europe.

"Nato must think beyond conventional forces negotiations and begin serious consideration of the kind of European political and security system it wants to achieve in the next decade," he said.

The Western allies should not, however, rely on "calm seas and smooth sailing."

While a return to a more hostile Soviet foreign policy seemed unlikely in the short term, it could not be ruled out entirely. Present trends in Poland and Hungary, as well as the Soviet Union were still reversible.

Nato's strategy must therefore distinguish between those areas where it could move ahead in its relations with the Soviet Union and those where it had to say "no".

A green light should be given to those measures which might help the establishment of democratic parliamentary practices and to provide the Soviet Union with modern management know-how.

But the transfer of technologies which could enhance Soviet military capabilities or the offer of money which would serve merely to defer the hard choices between guns and butter, should be avoided.

South African black unions plan election protest strike

By Patti Waldmeir in Johannesburg

BLACK trade unions in South Africa are due to begin a two-day general strike today to protest against the exclusion of blacks from general elections scheduled for tomorrow.

The stoppage, being organised by unions representing more than 1m workers, could have a significant impact on the voting by whites, "coloureds" and Indians for three segregated houses of parliament.

Last night union leaders led a protest march which disrupted the last National Party election meeting of the campaign, at Johannesburg City Hall. The meeting was addressed by Mr F. W. de Klerk, the acting President, and Mr Pik Botha, the Foreign Minister.

Today's strike is intended as the climax of a month-long anti-apartheid campaign, which has led to 1,500 arrests and numerous violent confrontations between police and demonstrators defying apartheid laws. South Africa's Human Rights Commission said yesterday that 240 activists had been detained without trial since the campaign began.

Yesterday police fired bullets and teargas to break up an anti-election rally at the University of Natal, and 10 people were injured in the ensuing panic. However, in the rest of the country, few incidents were reported.

The National Union of Mineworkers, South Africa's most powerful black union, said yesterday that one of its members had been killed while protesting against segregated facilities at JCI's Rustenberg Refineries. It said a white supervisor had shot and killed a black shaft steward on Saturday night, and had then committed suicide. The union said the employee had earlier been disciplined for having used a chair reserved for whites.

JCI said it was investigating the death but denied that a dispute over segregated facilities was the cause.

Mine employees are expected to participate in today's strike which has been organised by the country's two largest black trade union federations, the Congress of South African Trade Unions (Cosatu) and the National Council of Trade Unions (Nactu). They said hundreds of thousands of workers, mainly in the industrialised area around Johannesburg, were expected to support the stoppage.

Last year, the unions organised a three-day work stoppage to protest at harsh new labour laws. At the height of the protest, some 2.5m workers were staying away from work.

Organising such action is difficult, however, under South Africa's emergency regulations which forbid political strikes or economic boycotts.

Some observers believe that the defiance campaign may have significantly weakened the electoral chances of the liberal Democratic Party over the past two weeks, playing on white fears of black unrest. The main beneficiary would be the ruling National Party, they said, though the ultra-right Conservative Party might also gain votes as a result.

A crowd of demonstrators estimated at tens of thousands in Tiraspol, in the Soviet Republic of Moldavia, voted on Sunday to continue strike action in protest against new language laws passed by the republic's Supreme Soviet

Walesa criticises Communist pressure for cabinet posts

By Christopher Bobinski in Warsaw

COMMUNIST Party leaders in Poland who are trying to win a significant share of cabinet posts in the new Government were attacked yesterday by Mr Lech Walesa, the Solidarity leader.

Speaking to reporters in Gdansk Mr Walesa insisted that the government should be made up of "reformers" and *that appointments should be* made on merit rather than party allegiance.

Mr Slawomir Wiatr, a Communist party secretary, revealed at a Bonn news conference yesterday that the Communists wanted to clinch the Foreign Ministry, Defence and Internal Affairs, Communications, Culture and one of the deputy premierships.

Mr Walesa was reacting to remarks at the weekend from Mr Mieczyslaw Rakowski, the former Prime Minister, after a meeting with Mr Tadeusz Mazowiecki, the new Solidarity premier, in which he implied that the Communists were satisfied with the role in government that had been sketched out for them.

The Solidarity leader leaves today for a three-day visit to West Germany when he will meet Chancellor Helmut Kohl.

Mr Walesa said he did not want to "trespass on Mr Mazowiecki's competence" in forming the Government, but he wanted to "try to help" him.

The implication was that he would be urging haste in forming a Government and warning that the Communists should not play too visible a role. "They think they deserve something and they must know that they deserve nothing," he said.

Mr Walesa is worried that too many posts for the Communists would be seen by the population as a return to traditional government practices.

Mr Mazowiecki's concern is to bring the Communists in and so attempt to neutralise potential opposition from the bureaucracy which is largely linked with the old regime.

Given that further negotiation between the various coalitions still had to be conducted, Mr Mazowiecki is unlikely to have a cabinet ready to present to today's meeting of the Solidarity parliamentary group.

However, he is under pressure from his own camp and from *the Democratic Party,* a junior coalition partner, to produce one by the end of this week or by September 12 at the latest, a date mentioned yesterday by Mr Mikolaj Kozakiewicz, the Speaker of Parliament, as the date the Sejm (parliament) could approve the new government.

Mr Mazowiecki has until September 18th to form his government, that is three months after the elections took place. Should he fail to form a government, new elections will have to be called.

●AP adds from Warsaw: Solidarity activists writing in the pro-Solidarity Gazeta Wyborcza newspaper yesterday stressed the need for the next government to take drastic *actions quickly to stem* the decline of the Polish economy.

"The economy is slipping out of control. We are on the verge of hyperinflation," said a front-page commentary. "This means that the activities of Premier Mazowiecki's government must be firm, deep and quick."

It urged a tight monetary policy, lifting restrictions on private enterprise, an end to monopolies and the privatisation of state enterprises in addition to immediate new talks about rescheduling Poland's $39bn debt to the west.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	24	75	Dubrovnik	F	23	73	Malta	S	28	82	Rhodes	S	28	82
Algiers	F	28	82	Edinburgh	C	16	61	Manchester	C	15	59	Rio de J'o		–	–
Amsterdam	C	15	59	Faro	F	28	82	Manila	F	33	91	Rome	S	24	75
Athens	S	29	84	Florence	F	21	70	Melbourne	F	14	57	Salzburg	R	12	54
Bahrain	S	36	97	Frankfurt	C	17	63	Mexico City	C	22	72	San Francisco	F	11	52
Bangkok	F	33	91	Funchal	F	24	75	Miami	S	27	81	Seoul	S	25	77
Barcelona	F	23	73	Geneva	S	18	64	Milan	R	14	57	Singapore	R	23	73
Beirut		–	–	Gibraltar	R	21	70	Montreal	F	11	52	Stockholm	F	18	64
Belfast	C	15	59	Glasgow	C	15	59	Moscow	Dr	10	50	Strasbourg	C	17	63
Belgrade	F	20	68	Guernsey	S	17	63	Munich	R	11	52	Sydney	F	16	61
Berlin	F	18	64	Helsinki	F	14	57	Nairobi	F	26	79	Taipei	C	27	81
Biarritz	S	19	66	H. Kong	F	30	86	Naples	S	25	77	Tangier	C	25	77
Bombay	F	30	86	Innsbruck	C	12	54	Nassau	F	33	91	Tel Aviv	S	31	88
Bordeaux	F	22	72	Inverness	C	15	59	New Delhi	S	32	90	Tenerife	F	26	79
Brussels	F	17	63	Islamabad	F	35	94	New York	F	17	63	Tokyo	C	25	77
Budapest	C	15	59	Istanbul	S	29	84	Nice	R	22	72	Toronto	F	11	52
B. Aires	F	17	62	Jakarta	C	32	90	Nicosia	S	29	84	Tunis	F	28	82
Cairo	S	22	72	Jersey	S	18	64	Oporto	S	28	82	Valencia	F	24	75
Cape Town	C	13	55	Jo'burg	S	25	77	Oslo	S	18	64	Venice	F	19	66
Caracas		–	–	Lima	C	18	64	Paris	F	18	64	Vienna	R	13	55
Casablanca	F	25	77	Lisbon	S	27	81	Peking	C	24	75	Warsaw	C	16	61
Chicago	F	16	61	London	F	20	68	Prague	R	10	50	Washington	F	17	63
Cologne	S	14	57	Los Angeles	F	16	61	Reykjavik	C	9	48	Zurich	C	12	54
Copenhagen	S	17	63	Luxembourg	F	15	59								
Corfu	F	27	81	Madrid	S	25	77								
Dallas		–	–	Majorca	F	28	82								
Dublin	C	15	59	Malaga	F	26	79								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US on the attack at Japan trade talks

By Robert Thomson in Tokyo

US TRADE representatives presented a list of complaints to Japanese officials on the opening day of the crucial Structural Impediments Initiative talks in Tokyo yesterday. They also argued that the aim of the talks is as much to improve the quality of life for ordinary Japanese as to redress the trade imbalance between the two countries.

The first day of the talks was devoted to presentations by US officials, who condemned the Japanese distribution system, land pricing, budget policies, and the network of corporate groupings. Today, on the second and final day of the first round, the Japanese will produce their own list of structural complaints.

A senior US participant said they had "discussed a variety of ways for Japanese consumers to benefit more fully" from the country's economic success; for example, by being able to buy more products at lower prices. But a Japanese representative said that little was new in the US presentation, though detailed case studies were produced to support the US arguments.

The US participant emphasised that US companies which have achieved success elsewhere in the world have failed to secure a reasonable share of the Japanese market.

He condemned business practices that "exclude newcomers, both foreign and Japanese", from competing, and said that bid-rigging and group boycotts remain significant problems.

The two sides have agreed to produce an interim statement on structural impediments next spring, and plan to release a final report a few months later.

US participants said Japanese officials were receptive to their presentations, and aware of the need for results from the talks, which were proposed by the US as a means of avoiding punitive sanctions under the Super 301 clause of last year's Trade Act.

A Japanese official said the arguments presented by the US yesterday were "not bad", but that the list of concerns was long and negotiators had run out of time. US representatives had presented evidence that opened the way for useful discussions, but fundamental misunderstandings remained.

"In some cases we do feel that a prejudice exists based on a wrong interpretation, but we have no complaint, because this prejudice always exists," he added.

The Japanese representatives plan to present seven "points of interest" at today's meeting. The claims will be backed by case studies designed to show the US needs to make basic changes to its economic structure.

1992 'unlikely to relieve' EC banking constraints

By David Buchan in Brussels

THE PROVISION of banking, investment and insurance services across frontiers in the European Community will, even after 1992, remain inherently more difficult than trade in goods, Sir Jeremy Morse, chairman of the European Banking Federation, warned yesterday.

This is because such services "carry a lot of language and culture" with them, while simple goods do not, the British banker said in a speech to the Centre for European Policy Studies (CEPS) in Brussels.

Nevertheless, he expressed satisfaction that the European Community had this year reached basic agreement on liberalising banking.

Sir Jeremy, who is also chairman of Lloyds Bank, said he hoped this would be followed by early progress in the more complex areas of investment services and insurance, sectors with less of a tradition in international co-operation.

In the EC's banking and investment services proposals, Sir Jeremy said it had been agreed to leave the prudential supervision of a bank with its home country but to allow the conduct of business rules to be set by the host country.

Over the long term, this was unsatisfactory. "The sooner we move to a position where the home country also controls the conduct of business, the sooner we will move to a single level playing field, not 12 different ones," he said.

Post-1992, Sir Jeremy predicted an increased European integration and cross-frontier competition in wholesale banking, partly from the advent of Japanese and US banks.

But retail banking would remain largely regional, because local cultural loyalties and "competent operators" are already established in member states.

Therefore, the only way to build up a Europe-wide retail network was by acquisition, as Deutsche Bank had already announced as its strategy, Sir Jeremy noted.

Free market insurance proposals, Page 2

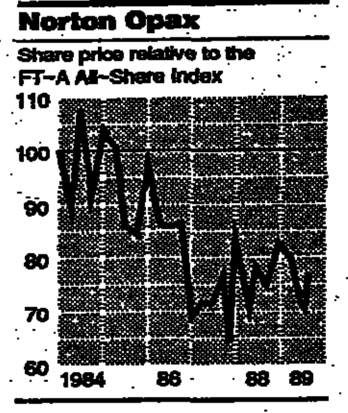
THE LEX COLUMN

Bowater takes on a printer's devil

Whichever companies emerge victorious from the battle under way in the printing sector, it may be some time before we know who has really won the war. Yesterday's 30p rise in Norton Opax's share price to just below the value of Bowater's suggests that Norton's days of autonomy are done. But nine months of manoeuvres involving those two companies, and Norton's bid target De La Rue, leave an uneasy feeling of takeover activity running ahead of industrial logic. The catalyst for all this lay not in any fundamental trends in the printing industry, but in Mr Robert Maxwell's punting first in McCorquodale's shares, and then in De La Rue's.

At 17 times Norton's current earnings, assuming Norton makes £32m pre-tax this year, Bowater's bid is perhaps 10 per cent higher than the City expected. Some of the unusually forthright criticisms Bowater levelled at Norton Opax ring true, in view of the doubtful evidence that Norton's £150m purchase of McCorquodale in 1986 was worthwhile. Norton's loss of a cheque-printing account for Barclays Bank, was a disturbing sign of management which had bitten off more than it could chew; even before Bowater's intervention, Norton's shareholders had grounds to oppose its bid for De La Rue at next week's egm.

But Bowater needs to be more convincing about the benefits it will reap from buying Norton. Bowater's post-1987 BTR-inspired attention to return on sales has been welcome, but there is not, at first sight, much room for rapid improvements at Norton. The idea of upgrading Bowater's packaging business by adding Norton Opax printing sounds reasonable, but insufficient to justify spending more than £300m all-told.



preparing for the single market it must make sense for the retailers to pool their buying power. And if the price for Argyll is a tiny cross shareholding designed to strengthen the defences of its friends, it is well worth paying. Nobody knows yet how strong the new European partnership will be, but at least it is low risk, which is more than can be said for the strategies of some other UK food retailers, who have taken their purses across the channel in search of something to buy.

Argyll

Argyll appears to have changed its mind about that suspect continental practice of cross shareholdings; but far from being punished for its indecision and for allowing a bit of earnings dilution, the company was rewarded by 4p on its shares. Never mind that Argyll probably does worse out of the share swap than its new European friends, Casino and Ahold, the numbers are minimal. By contrast, the eventual benefits for all three could one day be large indeed, and it can only be pleasing to Argyll's shareholders to see it doing something about Europe now. While food manufacturers are

Markets

The FT-30 share index has broken above the 2000 level for the first time and the FT-SE 100 index is behaving as though it intends to challenge its July 1987 peak of 2443.4 very soon. However, the current resilience of the global equity markets could be tested by fresh upheavals on the foreign exchanges. Now that the US Labour Day holiday is over, traders will be better able to gauge the true scale of the dollar's recent strength. It would be no surprise if it re-tested the DM 2 and 150 yen levels. The policy response of the major industrialised countries may be less predictable.

Saab-Scania

If Jaguar wants to prove it has not done too badly, it should compare itself to Saab. Both companies geared up for a big US market that never materialised, but Saab now finds itself without the right models, with unions unco-operative even by British standards, and with an embarrassment of spare capacity. Jaguar may not be making much money, at least it is not losing £160m a year. Mercifully, Saab's merger with Scania has provided it with a source of ready money, and until the truck market starts to turn down the good business can continue to subsidise the bad. However a much better alternative must lie with Ford, which could provide Saab with some models to sell to help it over what otherwise will be a few years of potentially ruinous losses. There is a danger that the Government will remember how sucessfully Volvo saved itself from a similar mess without selling its jewels to the Norwegians. If the Government blocks it, then Saab shares are a good 30 per cent too high; but even if a deal is struck shareholders may not get all the glory. After all, a middling brand name, a heap of troubles, and an uncertain entree into the European market are not the sort of thing a bidder will pay over the odds for.

GrandMet

Although there is a world of difference in size, Grand Metropolitan and Brent Walker must be two of the stock markets' biggest asset shufflers, yet their strategy has not served shareholders particularly well. Over the last year, Brent Walker shares have underperformed by 19 per cent, whereas Ladbroke's have outperformed by a similar amount; and while GrandMet's shares have just about kept up with the market they have substantially lagged behind those of Guinness and Bass. However, both companies still seem as busy as ever buying companies and spitting out bits and pieces with extraordinary rapidity.

GrandMet's decision to sell its betting businesses – probably to Brent Walker – is typical of the new management's mentality. It has owned William Hill for less than a year but has apparently created a strong new grouping with Mecca which it hopes to be able sell on for over 20 times earnings. If only GrandMet's Burger King operation can be revived as quickly, then GrandMet shareholders should have little to fear. Admittedly, GrandMet's financial wizardry is reducing its gearing pretty rapidly, but sooner or later the company has to settle down and prove that can run its new businesses, rather than buy and sell them.

As for Brent Walker, the near 5 per cent drop in its share price yesterday reflected the market's unease at the suggestion that a company with an unclear strategy, and a market capitalisation of little more than £300m, was going to take another quantum leap into an industry where it has no real record.

SECTION III

FINANCIAL TIMES SURVEY

Oil companies are pushing ahead with new explorations at a cost factor that would have been dismissed as absurd several years ago. Encouraged by big technological advances, the industry is enjoying a sense of renewed self-confidence and optimism, writes Steven Butler

Total Oil Marine's Alwyn Field platforms in the North Sea

Picture: Ashley Ashwood

Offshore Oil

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A robust turnaround

THREE years ago few observers of the international offshore oil industry would have predicted it could have made such a robust response to an era of low oil prices.

The boom time of the early 1980s has not returned and probably never will. And many of the technical and managerial changes seen in the past few years had begun well before Saudi Arabia decided to flood the world with oil in 1986.

Yet from the Gulf of Mexico to the North Sea oil companies are pushing ahead with a new round of exploration at a cost factor that would have been dismissed as absurd a few years ago. This has made it possible to justify vigorous exploration programmes even on oil price assumptions that offer little scope for improvement beyond $15 a barrel in real terms for the next decade.

Of course most in the industry are more optimistic that oil prices will rise gradually (if erratically) in the 1990s, yet the experience of two steep falls in the price of oil, in 1986 and 1988, and subsequent recoveries, has boosted confidence that there is a real floor on prices, which many put at $15, below which the Organisation of Petroleum Exporting Countries is spurred to take action.

At these prices, which would have been unthinkably low a few years ago, oil companies can see their way through to a return at least big enough to justify moving full ahead. This sense of renewed optimism and self-confidence has been reflected in the vigorous market for oil assets in the mature offshore areas — North Sea and in the Gulf of Mexico.

One by one big oil companies are concluding that these oil basins are important strategically to their companies. British Petroleum has perhaps been most aggressive, first with its takeover of Britoil and more recently with its bids for offshore leases in the Gulf of Mexico. But the list of companies attempting to follow suit in one way or another grows longer practically by the month, ranging from big, established international companies such as Elf Aquitaine or Atlantic Richfield, to even the national oil companies with little international presence, such as Repsol of Spain, and Petrobras of Brazil.

And the independents have not been left out. They have been active bidders for almost everything on offer in both areas. In the UK they were aided in the recent awards of exploration licences by what appears an obvious Government attempt to give them a small measure of preferential treatment. In the US more and more independents are learning that they can make money in the shallow-water, mature areas of the Gulf, focusing on low-yield producing properties or small plays where they can take advantage of their lower cost structure to beat the big companies at their own game.

One reason for the enthusiasm is the steady progress of exploration technology that now enables oil to be located in smaller quantities with far greater precision, thus reducing the risk and cost of exploration.

"What we can do today is see very, very clearly onto the ground," says Mr John Jennings, group managing director for the Royal Dutch/Shell group.

The improvement of seismic capability has gone hand in hand with the development of super high speed computers to process data. These allow not only composition of an increasingly detailed picture of structures deep under the earth, but the manipulation of data to test hypotheses about possible formations between the gaps of the data to see how it fits with geological understanding of an area.

With a structure located, recently-developed steerable drilling systems can point a drill-bit to within yards of a target at a distance of several miles. This technology has revolutionised the exploration end of the business, where finding oil used to be more akin to groping in a dense fog for a dark object. Now the sun has burnt through the fog.

The advances are no less impressive in the production end of the business, although here it is impossible to pinpoint just a few technologies that have made a difference. It has rather been a story of steady progress through a range of interlocking design and engineering processes.

The trend has been towards lighter, smaller structures capable of big processing volumes, yet with many fewer men than were needed for older designs. The key often has been to work towards weight thresholds that allow for offshore installation of large single loads by heavy-lift cranes, itself a recent development.

When this can be achieved for production decks, installation and commissioning of equipment can be performed onshore, where labour costs are just a fraction of offshore labour costs. The construction of production decks as single units leads to further weight reduction by cutting out structural steel that would be needed to insure the integrity of individual modules that would later be hooked together offshore.

This sort of broad simplification also makes a big difference in cutting engineering requirements, and makes it possible for more oil companies to use turnkey contracts for offshore developments. Under a turnkey contract one contractor assumes full responsibility for a project, from conceptual design stage to final installation and commissioning offshore.

The turnkey contracts give the main contractor a big incentive to ensure maximum co-ordination among all phases of a project, to reduce costs and speed delivery schedules. In the Gulf of Mexico platforms now come in what amount to off-the-shelf designs.

Such streamlining and greater efficiency was possible in an era of high oil prices, but the incentives were not there.

"The ethic of these organisations is dominantly technical," says Mr Jennings. "And if you live in a world where profitability of your project is very comfortable, the technical ethic dominates so strongly that it perhaps pushes commercial considerations into a corner. As a result of the combination of low oil prices on the one hand and the technical challenges of developing what are usually the smaller offshore fields on the other, the industry has really had to pull up its socks both technically and commercially.

"During the period of very high oil prices and high upstream margins we got ourselves into a rather unhealthy state of feeling extremely confident about future prospects. I think the process of adjustment that has gone on has been a good one for the industry, and the industry is in much better shape today than it was in the heyday of the high prices of the early 1980s."

Mr Jennings' point of view, of course, is unlikely to be shared in full by many companies who suffered more casualties from the downturn than Shell. Drilling contractors, diving companies, and supply boat industries are in a depression, very lucky to cover costs on a contract.

Yet for much of the international service industry, poor conditions of business have prompted a much needed process of consolidation, an increase in operating efficiency, and a successful search for the sort of technology that has cut costs, improved capabilities and ensured themselves a future. All of this has made it possible for the oil companies to focus more clearly on their own strategy for the 1990s.

Mr John Browne, recently appointed managing director and chief executive of BP Exploration, says that for BP this consists of continuing on a steady, consistent programme of wildcat exploration, of the sort that led BP to make huge discoveries in the past in Alaska and the North Sea. This now consists of pushing into deeper water in the Gulf of Mexico and moving quickly to exploit new basins as they open up, such as in Vietnam, where BP recently took on new acreage offshore.

It is perhaps no accident that Shell too will be exploring in Vietnamese waters. Shell has been one of the more successful oil companies in replacing its reserves annually, and recently this has come mainly from frontier areas such as West Africa, Colombia, and Syria. Shell has recently spent millions of dollars to stake out a dominating position in frontier areas off the coast of Alaska, and has begun drilling in the Beaufort Sea.

There was always a suspicion that Opec intended to knock out international oil exploration by cutting the price of oil sharply. If that was the intent, Opec has failed.

Steven Butler on the pick-up in drilling and appraisal in the North Sea

A revival in exploration activity

ONE by one, over the past year, Britain's fabrication yards have begun filling their order books and bringing back to work more of the welders and riggers laid off in the slump that followed the 1986 collapse in oil prices.

A new generation of offshore oil developments, made possible by leaps forward in design and technology, is moving swiftly through the stages of planning, engineering, and construction.

This is but one sign of a broad revival of optimism that has buoyed Britain's offshore oil industry, where low oil prices were once thought to have doomed it to a swift decline because of the hostile environment which makes the North Sea a high cost oil province.

Instead, amid growing confidence that oil prices below $15 a barrel are as unsustainable as $30 a barrel used to be, North Sea exploration has picked up briskly. Drilling for exploration and appraisal in the North Sea last year approached the record set in 1984, when oil prices were soaring and expected to rise further.

The first half of this year saw a small improvement over the first six months of 1988, with 83 well starts, according to Girozentrale Gilbert Eliott, the London broker.

The rate of successful oil and gas finds, which Gilbert Eliott estimates at 51 per cent, is as high as ever achieved in the North Sea. Although the North Sea is a mature basin, in the sense that it has been widely drilled with the huge billion-barrel fields being rapidly depleted, the recent record shows that it likely to hold many smaller reservoirs that will prove highly profitable to produce. Because of the existing infrastructure of pipelines and production facilities, future fields will be far cheaper to bring on stream.

There has been a series of notable gas discoveries this year in the southern basin of the North Sea. Sun Oil, the US company, made what promises to be a substantial find in a previously undrilled block, and Occidental Petroleum has found new oil reserves in the East Piper field, which are likely to be developed along with the redevelopment of the main Piper field, where existing production facilities were destroyed last year in a disaster that claimed 167 lives.

However, much exploration work this year has involved extending large discoveries made last year or earlier, including Enterprise Oil's Nelson field (more than 300m barrels), the Waverley discovery of Amerada Hess (more than 400m barrels), and the big offshore extension of Wytch Farm, operated by BP, where total reserves are likely to exceed 4m barrels.

One of the best barometers of international confidence in prospects for the UK North Sea came earlier this year with the enthusiastic industry response to the Government's 11th round of offshore licence awards. The award of 109 blocks among 69 companies was roughly double the awards of the previous round and applications were among the highest ever.

Some oil industry executives believe certain companies may have over-extended their exploration commitment in view of what is likely to be discovered, but the commitment means a substantial boost to the drilling industry.

The licence round also saw many awards going to independent oil companies, which received about 20 operatorships. The independents, which have dwindled in number while the survivors have gained in strength, had earlier complained about lack of access to North Sea acreage. The Government evidently heard the complaints, although the big oil companies generally came away from the licence round with what they wanted and most will say that the system of discretionary awards has been handled fairly.

Mobile, the US oil company, walked away with the biggest acreage award, including some highly sought-after blocks.

The confidence that oil will continue to be found reflects not only advances in seismic and drilling technology, but the increasingly sophisticated understanding of North Sea geology that the industry has acquired over the years.

The improved economics for future development projects are well illustrated by some of the recent projects announced by Shell UK Exploration and Production (in a 50/50 joint venture with Esso), which is the biggest operator in the North Sea.

Shell announced development of the Kittiwake field last year, and the Gannet field in July. Development of the two fields, which will be linked together, was on the drawing boards when oil prices plunged in 1986 and was shelved as uneconomic. At that time the project involved four fixed platforms and one subsea satellite field which was to have four wells.

Now, making use of the latest advances in subsea developments and platform construction, the two fields are being developed at roughly half the cost, with two fixed platforms, and three subsea satellites.

The key, in the case of Gannet, was to trim enough weight off the platform topsides so that it could be installed as an integrated deck by a heavy-lift barge, and so that the supporting jacket would be light enough to be lifted into place, rather than floated out on barges and sunk.

By lifting the jacket into place, which is a less stressful procedure, roughly 4,000 tonnes of structural steel can be saved, cutting £50m from the costs. As it turns out, the jacket is to weigh 8,500 tonnes, while the integrated deck is to weigh more than 9,000 tonnes.

Aside from the use of lighter materials on the topsides, the load was substantially lightened by plans that call for development drilling to be carried out over a two year period by a semi-submersible rig, which will carry the heavy mud and cement pumps, all the drilling paraphernalia, as well as accommodation for the drilling crews.

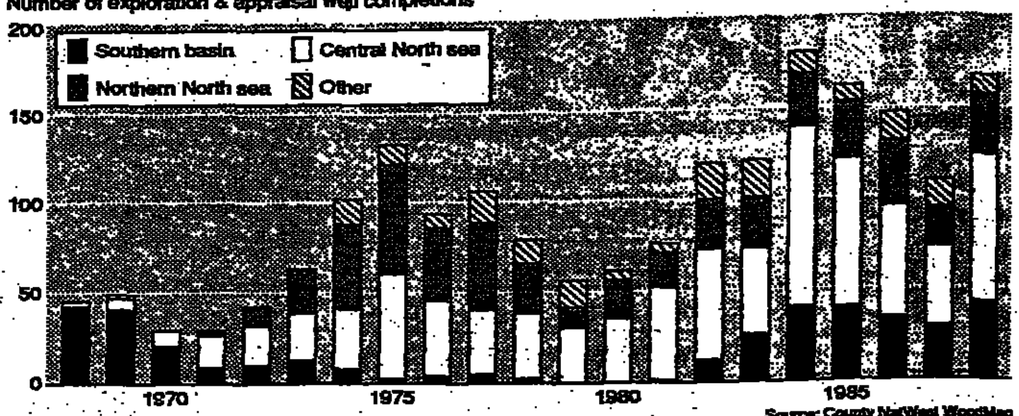
As a result even though Gannet will have processing capacity of 50,000 a day, it will have accommodation for only 40 men.

There is, obviously, no single technological or design breakthrough which is allowing projects like Gannet to proceed at a much lower cost, but rather a whole series of new concepts. Gannet is merely one reflection of the North Sea oil industry's vigorous response to rapidly changing economic conditions which have assured its survival.

The result is a future for the UK North Sea oil industry that is extremely bright, even though production has irrevocably peaked. What now seems assured is a profitable middle and old age for the oil companies and the industries that serve them.

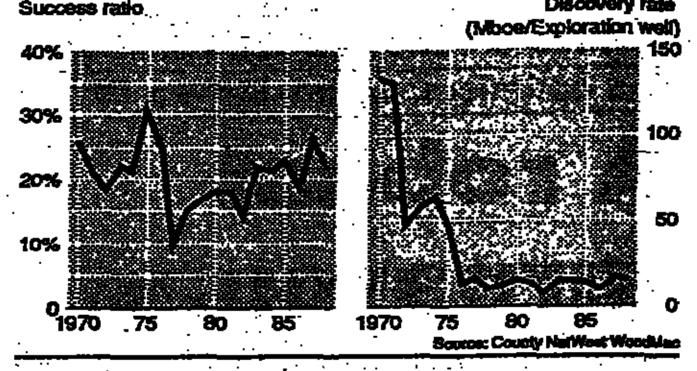
UK well completions by area

Number of exploration & appraisal well completions



Source: County NatWest WoodMac

UK exploration results



Source: County NatWest WoodMac

Asset trading among the UK oil majors has reached unprecedented levels

Corporate raiders of the North Sea

1988 was a bumper year of *unprecedented proportions for* asset deals, share swaps and purchases, and corporate takeovers involving North Sea oil acreage in British waters. *Roughly 15 per cent of* Britain's commercial oil reserves, amounting to 2.3bn barrels, changed hands. This was 10 times greater than the previous record set in 1986, according to brokers County Natwest WoodMac.

While 1989 will almost certainly not match the frenetic level of activity established last year, corporate activity has continued at a brisk pace as some oil companies engage in what sometimes appears a mad scramble to build up their North Sea asset portfolios, while others take advantage of the demand for oil acreage to rationalise their spread of assets.

The result has been a significant reshaping of the big players in the North Sea and, according to many in the industry, a sector that is financially and technically better prepared to exploit the opportunities there.

The most recent round of activity was touched off by British Petroleum's move on Britoil, then the UK's largest independent oil company, in *November 1987. BP won the bid* early in 1988, paying £2.57bn for 1.2bn barrels of proven reserves and a big spread of exploration acreage.

BP was joined quickly by Elf Aquitaine of France which launched a hostile bid for Tricentrol, although Elf was eventually outbid by Atlantic Richfield (Arco) which won the contest, paying £304m.

Not to be deterred, Elf later purchased the oil and gas assets of RTZ for £308m, and bought from the London and Scottish Marine Oil Company (Lasmo) a 25 per cent stake in Enterprise Oil for £368m. In another of the bigger deals, British Gas paid £440m for Acre Oil.

And it is not only the established international oil companies that have got into the act. Enterprise agreed in March to buy the oil and gas assets of Texas Eastern, the US gas transmission company, for $1.4bn, although the UK part of the deal, worth $961m, became embroiled in a dispute with British Gas and Amerada Hess.

Lasmo, Ultramar, Clyde, Goal, Monument, Sovereign, and Kelt Energy – almost the entire who's who list of established UK independent oil companies – have made purchases that are quite significant to them in corporate terms. (Only Premier Consolidated Oilfields seems to have stayed out of the fray recently, although it has been finding oil with a drill-bit instead.)

In many ways, BP has played a key role in making the North Sea into a asset trader's market, with its sale several years ago of small interests in the giant Forties Field. Many companies were interested in obtaining North Sea production income against which they could offset exploration expenses, making the small bits of production more valuable to them than to BP.

BP again touched off the recent round of corporate takeovers, bidding for Britoil at a time when share prices for independent oil companies were depressed. BP ended up teaching a lesson to the stock market, where investors now value independent oil companies at a level that makes them too expensive for most predators to contemplate a bid.

In spite of this, deals keep *coming to market.* BP has again been the source of some. Last year it sold stakes in its Ninian and Magnus fields, in part to reduce corporate debt, *and it is expected to bring* another parcel of North Sea assets to market shortly. Arco, Elf Aquitaine, and possibly Enterprise are also thought to be preparing to rationalise their portfolios through asset sales. Even Shell, the most conservative of asset managers, is understood to be preparing a swap.

A big source for deals has been decisions by non-oil companies to get out of oil and return to their core businesses. The decision to exit the North Sea has been made easier by the high prices for assets as well as the growing capital commitment required of many companies as development projects move forward in the years ahead.

There is also a growing realisation that building a certain critical mass is necessary to be an effective player, requiring a big commitment of both man*agement time and investment* funds.

Companies leaving the business have included Associated Newspapers, Pearson (which owns the Financial Times), RTZ, International Thomson, and Trafalgar House – although in the case of Trafalgar House, inability to sell its oil and gas company at what it considered an acceptable price led it to spin off a new independent, Hardy Oil and Gas.

The inability of Trafalgar House to find a buyer shows that oil companies are not simply buying anything that comes to market, but are looking for quality assets that fit strategically with their own portfolio.

Many of the big established North Sea players, such as Shell, Texaco, Mobil, Exxon, Amoco, Chevron, Phillips and Conoco have pursued the traditional route of adding to their substantial positions by means of Government licence rounds. Others, including BP, Elf, Arco, British Gas, and Amerada Hess have identified the North Sea as a strategic exploration area and have spent heavily to enlarge positions.

Other players, such as Repsol, the Spanish oil company, Petrobras of Brazil and Sun Oil have been making smaller, but none the less significant purchases.

The independents have been both the victim and the benefi*ciary of corporate acquisitive*ness. Both Lasmo and Enterprise have expanded into very substantial companies on the backs of asset purchases.

The dwindling of the ranks of independent companies produced enough alarm to prompt an investigation by a select committee in the House of Commons, but it produces few regrets among the independents themselves who are as opportunistic as others in the industry, if not more so.

Some of them will undoubtedly become fodder for the next round of corporate acquisitiveness.

Although Elf may not have *plans to use its 25 per cent* stake in Enterprise to launch a full bid, it could easily decide to move if the opportunity arises, if, for example, the *stock market loses confidence* in the Enterprise management, or if oil prices fall.

Burmah Oil, the lubricants group, recently lifted its stake in Premier from 25 to nearly 30 per cent, some analysts believe, as a prelude to selling the stake on to a potential predator.

Some industry executives also anticipate an eventual shake out involving Marathon or Conoco, both large subsidiaries of non-oil companies, which could push more assets into the market. Precisely when and how the next deals will emerge is unclear, but given the ready demand for *North Sea oil assets,* sellers are almost certain to emerge.

Steven Butler

Karen Fossli on Oslo's role in the stabilisation of crude prices

Opec's European friend

NORWAY, western Europe's second largest crude oil producer behind the UK, in April saw production reach 1.58m barrels a day (b/d) – its highest level ever. This follows the 1989 low sustained in February when bad weather forced production down to 1.29m b/d.

In February 1987 Norway had voluntarily cut its crude oil production by 7.5 per cent (excluding condensate) in a move designed to help the Organisation of Petroleum Exporting Countries (Opec) to stabilise world crude oil prices at reasonably high levels after a precipitous fall in 1986.

Twice a year Norway's oil producers are obliged to submit their half-year production plans for approval by the authorities. These plans must reflect the 7.5 per cent production cut. Accordingly, in the first six months of this year Norway's oil producers pumped an average of 1.56m b/d. Second half-year plans call for crude production to increase to 1.67m b/d. The self-imposed production cut has become an integral part of Norway's policy which is intended to help stabilise world crude oil prices.

Norway believes its production restraint policy, which includes an open dialogue with other oil-producing and oil consuming nations, can do much to prop up market prices for the world's crude oil. However, the policy "is unilateral in scope, flexible in form and limited in time," according to Mrs Gro Harlem Brundland, the Prime Minister, and can be revoked if Opec violates its own production quotas.

Until recently the development of Norway's oil reserves has been a considerable success story, though there has been a slow-down in the rate of new finds over the past five years. Based on current production levels and on known gas resources, Oslo has sufficient reserves to last another century. With such an abundance of gas, Oslo's most important priority now is to secure new markets.

Norway possesses about one-half of the natural gas reserves in western Europe, gas makes up more than 60 per cent of the country's total energy reserves, about 30 per cent of its current hydrocarbon sales and 12 per cent of western Europe's gas consumption.

Last year Norway produced 28bn cubic metres of gas. It was exported exclusively to western Europe — 40 per cent of it to the UK and the balance to West Germany, the Netherlands, Belgium and France.

The potential for increasing gas exports to western Europe hinges on two main factors: nuclear power generation being replaced by gas-fired power generation and the implementation of stricter environmental regulations which would demand a shift to natural gas for power generation at the expense of other fuels such as coal and oil.

Oslo believes its production restraint policy can help to prop up crude prices

Earlier this year the International Energy Agency (IEA) published a study which identified potential growth in the use of natural gas in western Europe's electricity industry from the current level of about 30bn cu m annually to 60bn cu m by 2000.

Norway's gas marketing strategy also includes selling LNG (liquid natural gas) to the US, securing new contracts with the UK and establishing a new market in Sweden.

This year US-based Enron signed a co-operation agreement with Norway's Statoil, Norsk Hydro and Saga Petroleum (the three companies form Gasforhandlingsutvalg, GFU, which sells Norwegian gas on behalf of its producers). GFU is seeking to translate the agreement into a contract to supply the US with 2.5bn cu m of gas annually, as LNG, commencing in 1993. To boost gas marketing efforts Statoil has also established an office in New York.

A natural gas department has been established in Statoil's London office though the London subsidiary could find itself in competition with Norwegian gas in the UK market. Statoil London has shares in UK gas fields while Statoil Norway is charged with marketing Norwegian gas. Norway's oil minister agrees that this could present a problem though he could intervene should a conflict of interest develop.

About five years ago Norwegian companies enjoyed an estimated 25 per cent share of the British market for natural gas. That has since slipped to less than 20 per cent and continues to decline. Norway is counting on the break-up of the UK electricity industry and the new role of British Gas to increase its UK market share, though it faces stiff competition from Algeria, Nigeria and the Soviet Union.

In Sweden, plans to dismantle the country's nuclear power industry have come under fire, diminishing Norway's hopes for a substantial contract to supply gas as a replacement for nuclear power generation. It could also undermine Norway's plans to establish a domestic gas industry which would supply gas to energy intensive industries, mostly situated in the eastern part of Norway. The two schemes, supplying gas to Sweden and the creation of a domestic gas market, rely on one another to justify the overall investment.

In its report to the Storting, the parliament, earlier this year, the Labour Government outlined three scenarios for future investment trends in the petroleum sector in the period 1995-2010.

A "basic alternative" calls for annual investments of NKr 15bn. This would depend on such factors as whether oil can be found in the Barents Sea or if oil companies increase the magnitude of supplementary projects for associated production.

For the "low alternative" investments over the same period are estimated at an annual NKr 10bn. This reduced level would be on the assumption that oil were not found in the Barents Sea and considerably fewer and smaller oil finds are made elsewhere.

The "high alternative" calls for investments to be maintained at a level of NKr 20bn. This would occur if more oil discoveries are made and new fields developed. It also hinges on significant oil discoveries being made and more frequently than in recent years.

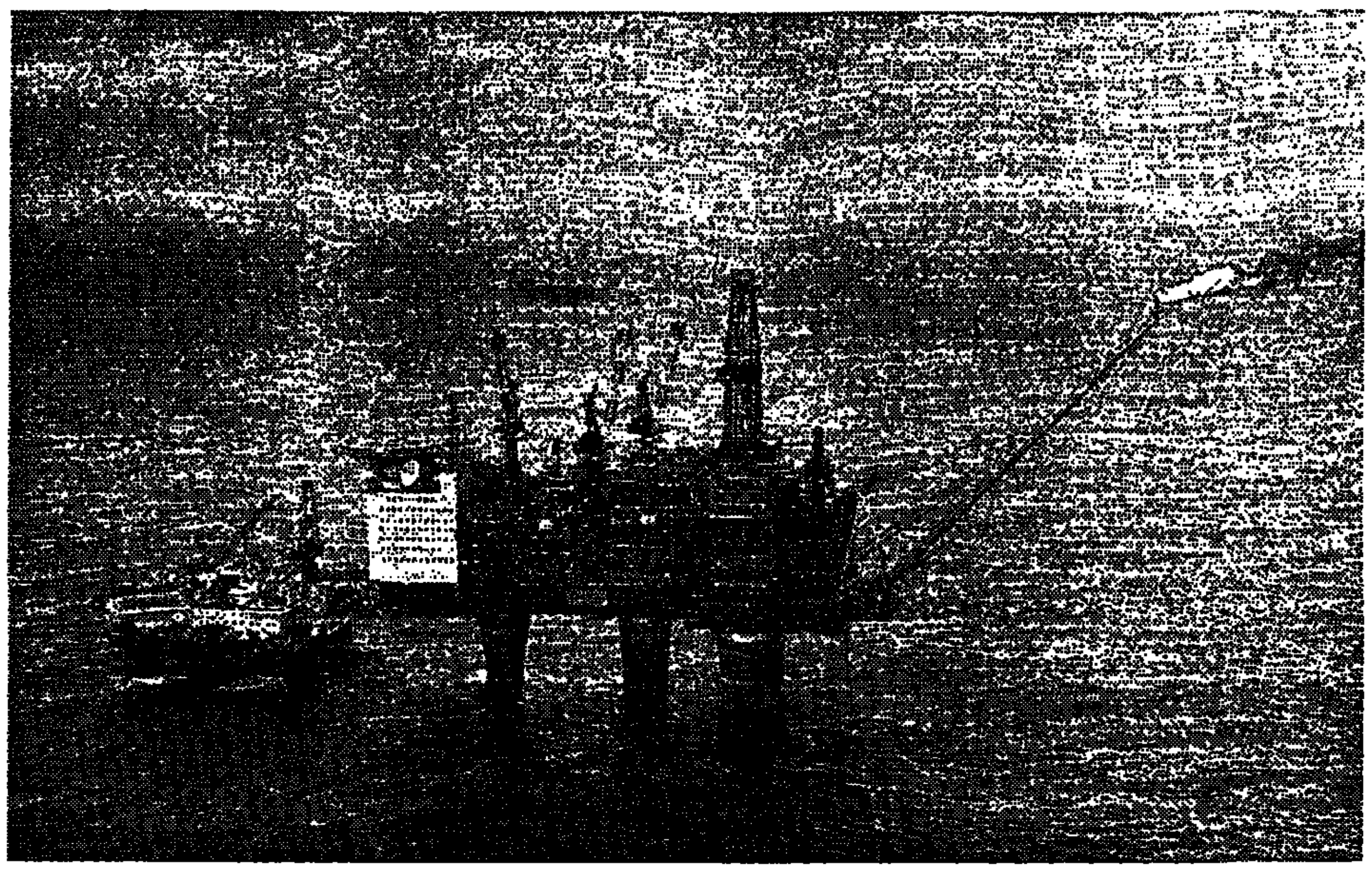
The Government admits, however that "it is probably only possible to reach this level if a significant oil province in the Barents Sea is discovered quickly."

However, the Norwegian Petroleum Directorate (NPD), the oil sector's watchdog, last autumn called for a downward adjustment in expectations. It warned of:

- Declining prospects for new oil discoveries;
- Uncertainty on hydrocarbon prices;
- Limited sales potential for the country's rich gas resources;
- Little chance to maintain investment activity in the sector in the second half the 1990s.

However, Mr Arne Oeien, Norway's Minister of Oil and Energy, is more optimistic. He told the Financial Times that in five years the domestic oil and gas sectors would both be in a healthy state, buoyed by new contracts, firmer world prices and more domestic tax incentives.

"I would also hope that the need for the 7.5 per cent production cut would not be necessary," Mr Oeien said.



Gullfaks, the first all-Norwegian owned, developed and operated field on the Norwegian Continental shelf

Norway's leading players

A home-grown Saga

THE THREE Norwegian oil companies, Saga Petroleum, Norsk Hydro and Statoil, though competitors, share a common interest in that they comprise the Gas Negotiating Group, which was set up earlier this year charged with the formidable task of selling the country's gas.

Saga Petroleum is privately-owned, Norsk Hydro is 51 per cent state-owned while Statoil is the Norwegian state oil group.

The three have been politically favoured in that they have been the recipients of priority offshore acreage in Norway's licensing rounds and currently hold stakes or operate some of the most prolific oil and gas fields. Recently GFU was formally organised under a system which obliges it to submit to the Ministry of Oil and Energy an annual long-term plan for the production and sale of Norwegian gas.

Foreign oil companies are also invited to make a contribution to this strategy. Gas agreements made between GFU and buyers must be approved by the oil company whose gas field is to be the source of supply. In theory this is how GFU is meant to be organised and function though it has yet to be put to a true test.

Statoil, struggling to regain confidence after a big refinery and terminal expansion project went awry two years ago, was this summer awarded choice acreage in the UK's 11th licensing round. The group is currently strengthening its UK organisation to implement a five-well exploration drilling programme which will last until 1991. Earlier this year Statoil acquired a 5 per cent stake in the southern basin Victor field.

Mr Harald Norvik, Statoil's president, last year introduced a sweeping reorganisation of the company into three divisions: exploration and production, marketing and refining and petrochemicals. He also implemented a cost cutting programme which aims to reduce by 1,500 its 11,000-strong workforce. Recent plans also call for a gas division to be created.

Overseas, the Norwegian end of the Statoil operation is likely to end up competing with its own London subsidiary, Statoil UK, as efforts to sell Norwegian gas to UK buyers increase at a time when Statoil UK is involved in competing in British gas fields. Statoil UK last year traded between 78m and 80m barrels of oil. This could double for the whole of 1989, of which about one-half is expected to be sold to the US.

Of the three companies Norsk Hydro has been the centre of least political discussion other than as a model of desired ownership. Its 2,500-strong oil and gas division is one of four main activities undertaken by the huge Norwegian conglomerate.

However, Mr Torvild Aakvaag, Norsk Hydro's president, when announcing the 1988 results, said that oil activities would play a diminishing role in the group's overall activities.

Last December, four months ahead of schedule, Hydro brought on stream its first oil field, Oseberg, which in July produced a daily average of 260,450 barrels. There are plans to develop several other minor discoveries in the vicinity of Oseberg.

In addition, a big gas injection programme, Togi (Troll-Oseberg Gas Injection) will come onstream in 1991 in which 25bn cubic metres of gas from the Troll East gas field, some 48 km away, will be injected in the Oseberg Alpha reservoir to enhance oil recovery by about 10 per cent, or by between 70m and 100m barrels. At a later stage, about 19bn cu m of that gas can be recovered from Oseberg.

Hydro has several other projects on the drawing board including the development of the small Brage oil field. It hopes to receive development approval from the authorities by spring next year.

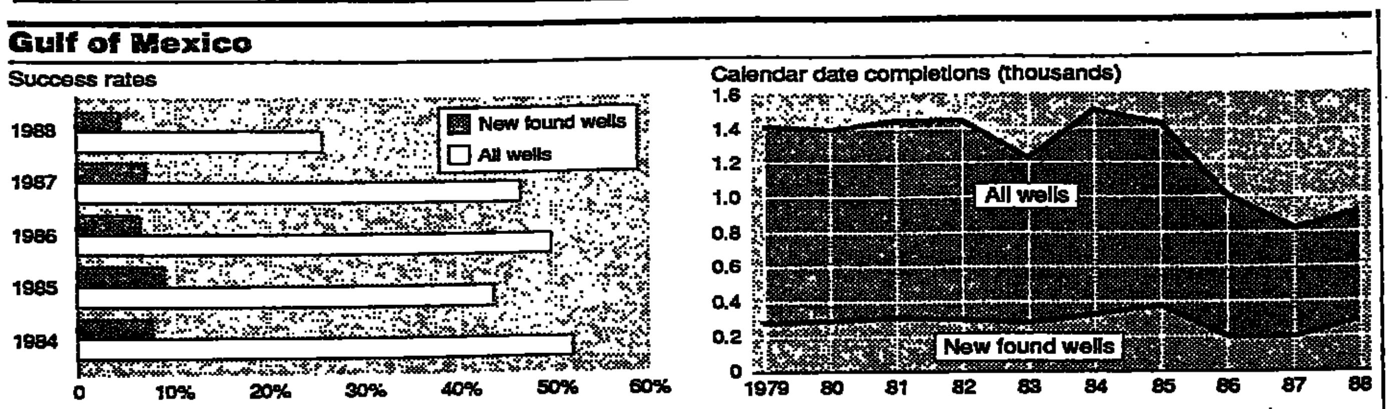
Hydro is also undertaking a seismic survey on its Sognefjord oil discovery to determine where a new well will be drilled next year. The discovery has aroused considerable interest though Hydro will not be drawn on details until appraisal work is finished.

The third of Norway's oil groups, Saga Petroleum, has been surrounded by controversy. Norway's politicians, which secured Saga's existance and future by giving it an important oil field, Snorre, to develop last year seemed confused about that supporting role when a shadow was cast over the economics of developing the field. Questions were also raised about the necessity of having three domestic oil companies.

Saga became embroiled in a battle to prevent Total CFP of France from taking a majority stake in the company. Total was hoping to boost its Saga stake to 35 per cent though it was ultimately blocked.

More recently, contracts for the development of the Snorre field have begun to flow. The field is to be developed with a tension leg platform (tlp) similar to that being used by Conoco in the UK North Sea for its Hutton field.

Karen Fossli



UNITED STATES

Heading down Mexico way

THE Gulf of Mexico has emerged in recent years as a prime spot for oil and gas exploration in the US, where in 1988 drilling completions rose by 26 per cent, according to Petroleum Information.

This may be a distinction won by default as much as anything else, since chances of finding big new reserves onshore look more and more dim. Other highly prospective areas, such as offshore California and Alaska have also been put at least temporarily off limits by a US Congress that is increasingly worried about environmental issues.

Yet the renewed interest in the Gulf also comes from the fact that it is the most mature offshore basin in the world. Farther offshore there remains plenty of frontier acreage that has attracted the likes of Shell, BP or Conoco. Yet closer to shore in shallower water is an infrastructure that allows established companies to capitalise on existing facilities.

And more small independents are moving in too, finding that with low overheads, they can make good money picking through the crumbs left behind by the majors, and even venturing to bid on leases themselves. If located near pipeline facilities, small, shallow-water prospects can be brought on stream in a half year, using simple off-the-shelf (sometimes used) platforms that can cost as little as $1m.

The US government introduced a fundamental change to leasing procedures in the Gulf in 1983, the ramifications of which are still being felt today.

At that time area-wide lease bidding was introduced, putting on auction annually all tracts in areas not under lease, and setting five year lease expiration dates for tracts in water up to 400m deep. After oil prices collapsed and oil companies were unwilling to shell out so much money on bids, the government then dropped the minimum bid level from $150 to $25 an acre.

The net result of these changes has been to lower entry barriers to working in the Gulf of Mexico by making cheap acreage available on a regular basis.

For many of the independents, in fact, basic entry has proved to be free. Many of the big oil companies scaled back staff and exploration budgets when oil prices dropped, and with many leases expiring each year on a rotating basis, they have been happy to let the independents drill on less prospective acreage in exchange for a share of any eventual production (an arrangement known as a farm-in).

Chevron last year became the biggest operator in the Gulf and the biggest producer of natural gas in the US when it paid $2.5bn for the Gulf asset Tenneco. Mr Ray Galvin, Sr vice president for Exploration, Land and Production at Chevron USA, says Chevron was able to put in the highest bid because, although Tenneco was a relatively low-cost operator, Chevron was able to achieve greater operating efficiencies by integrating its own Gulf production facilities with many of the nearby Tenneco facilities.

Chevron has, in essence, set itself up as the bread-and-butter operator, working in shallow-water (less than 600 feet), low-risk acreage, and taking full advantage of extensive shallow-water infrastructure.

It has not entirely eschewed deep water exploration. Chevron has a sprinkling of leases in deeper water. In the main, however, Chevron sees deep water production as unlikely to be economic given current prices and technology for exploiting the typical Gulf of Mexico field, which tends to be smaller, with lower production rates than North Sea fields. It is a view that is obviously not shared by some of its rivals.

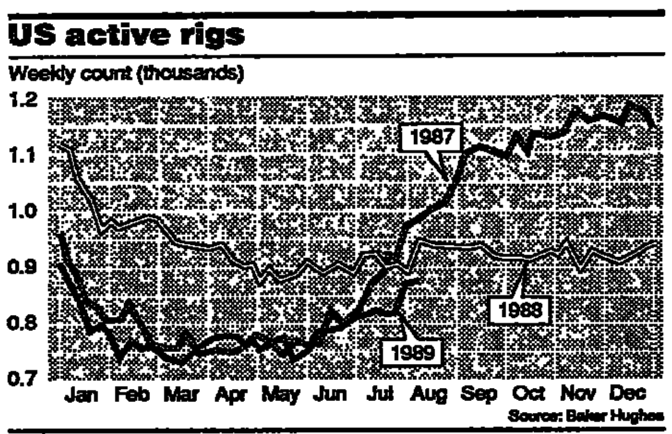
With the advent of area-wide lease sales Shell began building up a stock of deep-water acreage, where leases can run for as long as 10 years, and is now the dominant payer in this high-risk area.

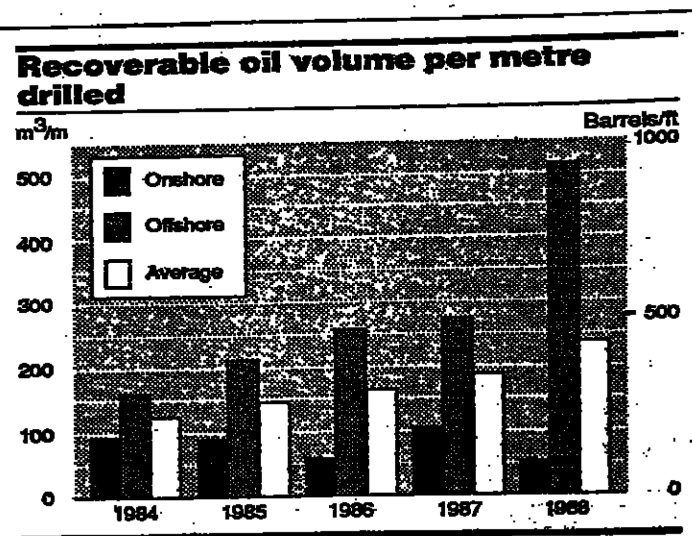
Shell has drilled four wildcat wells at water depths of 4,000 feet, and has bought leases at 7,520 feet. It has also staked out big positions in frontier areas of Alaska, including the Beaufort Sea, Bristol Bay and the Chukchi Sea, where last year Shell spent $271m to buy 165 lease tracts.

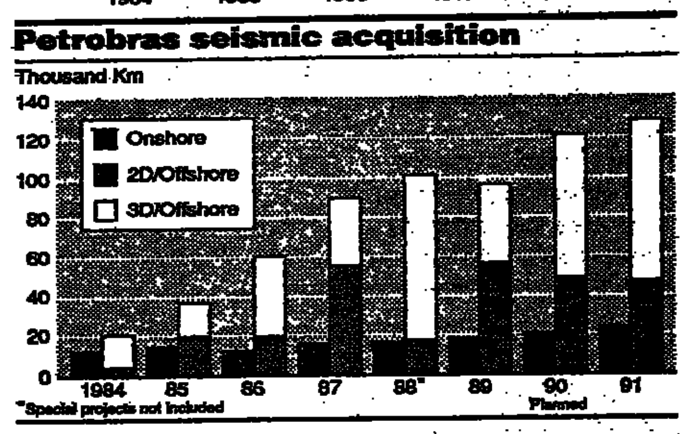
Shell last year installed the largest ever jacket for a fixed platform at its Bullwinkle field in the Gulf in 1,353 feet of water. This is, by industry consensus, about the largest jacket that will ever be built. It is also looking to other ideas for developments in deeper water, such as tension leg platform currently being installed at Conoco's Jolliet field in 1,750 feet of water, or compliant towers, which allow platforms on the surface to oscillate within a limited range.

BP is making a good effort as Johnny-come-lately to build up a position in frontier, deep-water, areas of the Gulf. The $54m that BP spent on 109 Gulf of Mexico leases in the March auction this year put it at the head the spending list. Its planned exploration programme will jump ahead from four wells this year to 15 next year (Development drilling will fall from 31 to 18 wells.)

Steven Butler







BRAZIL

Caught in an economic trap

PETROBRAS, the Brazilian state oil company, is caught in a pincer made by the Brazilian Government's price stability programme and the result this year is a sudden, drastic, and highly disruptive cut in offshore exploration and development programmes.

By August this year, Petrobras had already lost $500m, importing oil (about 600,000 barrels a day) at roughly $18 a barrel, and selling it on domestically at $13, the international crude price in effect when the Government moved to prevent Brazil's high inflation (about 30 per cent a month) from careening out of control.

The casuality in this has been Petrobras's capital expenditure budget, which started the year projected at $2.8bn, and is now targeted at $1.7bn.

"This has caused tremendous pain and imbalance to the whole operation," says Mr Wagner Freire, Petrobras managing director.

Petrobras is one of Brazil's leading companies, with $16.5bn revenue last year, and it has earned widespread international respect by its innovative adaptation and development of offshore technology to produce oil at great water depths.

Brazil's production has climbed rapidly in recent years. From a 1987 average of 570,000 b/d, production is to reach 700,000 b/d by the year end, and is set to average 740,000 b/d next year.

Although Petrobras has not given up its official goal of producing 1m b/d by 1993, this is looking increasingly doubtful in light of the budget constraints. Next year's production has already been scaled back by 40,000 b/d.

Petrobras executives are hopeful that presidential elections, scheduled for November, will result one way or another in economic policies that will ease the pressure on capital expenditures. In the meantime cuts have been made across the board.

Petrobras hopes to proceed in the 1990s with about 30 drilling rigs working on a regular basis, split more or less evenly between on and offshore. But this year the numbers will be half that, with just six offshore rigs on average. In fact, the offshore rig count will approach zero by the year end. The total exploration budget has been steadily slashed from $1.3bn in 1982, to $500m last year, and $410m this year.

If there is one rather large bright spot, however, it is that Petrobras is continuing to find oil in spite of the budget cuts.

Seismic acquisition per kilometre has fallen in cost from $800 in 1982 to less than $200 last year, and recent seismic surveys contain far more information. The result is more accurate drilling, and more oil found per metre drilled. Offshore this has risen steadily from 92.8 cubic metres of oil per metre drilled in 1984 to 512.7 cu m last year. Petrobras estimates that some 15bn barrels are yet to be discovered offshore, compared with current reserves of about 3bn barrels.

On the production front, the budget cuts will cause delays in full development of the Albacora field, in the Campos basin. The first phase of the project consists of six subsea completions connected to a subsea manifold, which channels oil and gas produced to a process tanker moored in 754 feet of water. The deepest producing wells of the field are in 1,374 feet of water, which lie at the limit of depths that are feasible for traditional fixed platform construction. Beyond these depths, the extra steel needed for structural support of such a huge jacket makes the projects uneconomic, as well as technically difficult.

Subsequent wells, however, are being drilled at depths of more than 2,000 feet, and the final phases of the projects envision producing wells at water depths greater than 4,000 feet.

The budget cuts have resulted in delays to further subsea completions that will lift production as well as delays in bringing on the nearby Marlin field.

Outside of Brazil, subsea completions tend to be used for smaller fields which are serviced either by floating production systems or nearby fixed platforms which process the oil. Although capital costs for fields can be reduced if expensive fixed platforms are not used, operating costs tend to be higher because of increased cost of servicing equipment on the seabed, which is inherently more difficult.

Brazil is the first country to attempt development of large, high-volume producing fields entirely with subsea completions in deep water connected to floating production systems. Although Petrobras has been successful with the technology, it also recognises there may be limits to its usefulness.

One particular problem with the Albacora and Marlin fields is that each, because of the reservoir characteristics, requires a large number of producing wells, leading to a large complex of subsea flowlines. This makes it difficult to moor surface vessels safely, and Petrobras is now examining the feasibility of installing tension leg platforms, in which a buoyant platform on the surface is pulled down and tethered firmly to the seabed.

Mr Luciano de Castro Franca, a petroleum engineer who is Petrobras' deep water co-ordinator, says the current production systems will only enable production to depths of about 1,000 metres, whereas known fields extend to double these depths. The problem is that flexible flowlines that connect subsea wells to surface vessels are too heavy at these lengths and lack the necessary buoyancy. The answer is either to improve the construction of flowlines or to devise surface vessels that can be connected to rigid risers.

It is a search for technology that is likely to join Petrobras more and more to international efforts, particularly in the Gulf of Mexico, where Petrobras has acquired exploration interests.

Indeed, there is an evident polite restraint among Petrobras executives when they speak positively about the benefits to their company of international alliances and of working with foreign oil companies. It is a sensitive and controversial political subject at home, where there is opposition to Petrobras expanding its international activities and where foreign oil companies are currently barred in the constitution from taking new interests in and exploiting Brazil's oil resources.

It is a political attitude that is looking ever more outdated.

Steven Butler

FABRICATION AND ENGINEERING

Leaner and fitter

THE UK offshore fabrication industry, which saw capacity utilisation shrink to just 23 per cent last year, is much more optimistic for the future but treating forecasts of capacity shortages with a pinch of salt. Recent weeks have seen a spate of bullish reports on upcoming UK North Sea activity and spending as well as progress on key projects, notably the major Bruce gas field.

In particular, a survey by broker County NatWest Woodmac (CNW) suggests UK fabrication yards could be short of capacity by 1991. Some orders may have to go overseas or projects may be delayed, it warns.

With 46 new oil and gas developments worth £15bn in line for possible Government approval in the next two or three years, the specific problem CNW identifies is UK capacity to build "jackets", the offshore platform sub-structures which stand on the seabed. Here potential demand in 1991 "markedly exceeds" capacity, it says.

The UK Module Constructors' Association(MCA), predictably cool to the prospect of contracts going abroad, sees things rather differently. Chairman Mr John Wood insists UK jacket capacity is greater than CNW suggests. He also stresses a string of other potential project hold-ups ahead of 1991 which the broker has itself highlighted and which may relieve any pressure on UK capacity.

These include the need for many gas sales deals and partner agreements and potential capacity shortages in several other parts of the offshore business. The MCA's own last survey, published in the spring, showed the recent recession had reduced UK fabrication capacity from about 44m man-hours a year in 1986 to under 28m this year. Reflecting the subsequent recovery, it forecast a threefold increase in demand from 7.5m man-hours in 1988 to some 20m man-hours by 1991.

However, the 1991 capacity forecast still only amounts to 70 per cent of current capacity. This remains the MCA's broad outlook. But Mr Wood says recent indications are that some project timetables may slip by more than anticipated in the forecast.

Other sources of potential delay he sees are lengthening delivery times for long-lead items of equipment, such as compressors, generators and turbines, and possible capacity shortages in the engineering sector. Here rising pay rates may indicate pressure on resources after the loss of many from the industry during recession.

For both fabricators and engineers one emerging market trend appears to be growing emphasis by oil companies on awarding turnkey contracts covering all aspects of a project from engineering through to commissioning. This is particularly so for unmanned and minimal facility platforms, 45-50 of which could emerge in the next decade according to one estimate.

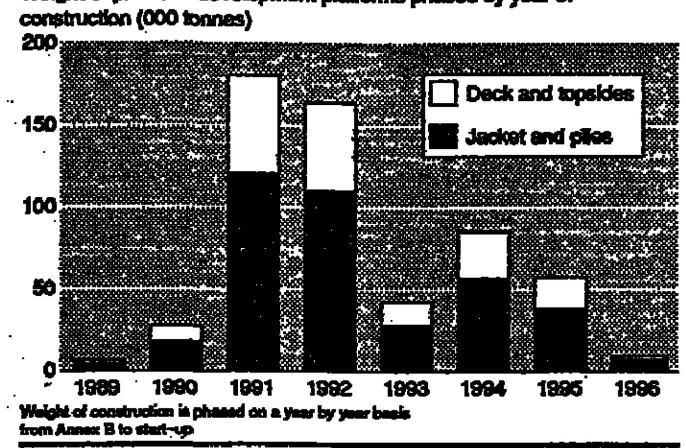
Some observers see a market polarisation between "super groups" or consortia with full or most turnkey capability at one end and small, highly specialised companies at the other, leaving more traditional design houses squeezed in the middle.

With 1992 looming, there are also increasing signs of interest in the lucrative UK market from continental European groups as well as Scandinavian companies. Meanwhile, uncertainty surrounds the future of the UK Department of Energy and its Offshore Supplies Office which have always firmly denied protectionism but nevertheless have been a significant force in the UK market-place.

David Tudball

UK North Sea: Forecast fabrication workload

Weight of probable development platforms phased by year of construction (000 tonnes)



Weight of construction is phased on a year by year basis from Annex B to start-up

DRILLING

Stuck in a deep trough

MORE than three years after the terrible plunge in oil prices that sent the world's drilling service industry into a tailspin, the industry is still in a sorry state that is perhaps best expressed by the level of drilling rig activity today.

In spite of the relative firmness of oil prices this year (compared with last year) the Baker Hughes rig count, which measures drilling rig activity in the US (on and off offshore), in the first six months of the year has fallen to levels not seen for over 40 years.

Less than 800 rigs were active in most of the first half of the year, and although activity picked up at the end of July, this year's average will fall short of the 950 that many had been hoping for, and a far cry from the 4,521 rigs that were active in December 1981.

The contract drilling industry itself is in poor shape, but also depressed are the companies that provide drill-bits, cement, steel tubing or more sophisticated services such as well logging or geophysical analysis. It is perhaps too early to start speaking of a light at the end of the end of the tunnel but the retrenchments and consolidations carried out by leading players in business, including Halliburton, Schlumberger, Baker Hughes, and Dresser Industries, have left them able to operate effectively in this sort of depressed environment, and they are positioned to gain when recovery eventually comes.

"Basic profitability may not look good," says Mr Anthony Henfry, managing director at Simmons & Company, a merchant bank specialising in the oil service-field. "But these companies have strong balance sheets and cash flows."

There are also some bright spots, according to Mr Henfry, who says that the Gulf of Mexico is showing signs of picking up. Day rates for 180 foot supply boats have risen 25 per cent in recent months, from $1,900 a day to $2,500, although rates would have to at least double to justify building a new boat.

Mr Paul Anderson, a senior vice president at Texas Eastern who has dealt extensively with the services companies, says the hardest hit in the industry have been those offering low technology, commodity-type products, such as rotary rigs, boats or basic tools, where independent companies have tended to dominate in fierce competition with each other.

At the other end of the scale, however, are companies which either are big enough and are structured in such as way as to be able to introduce operating efficiencies, or which have a technological edge through which they can save money for the oil companies.

It is at this end of the industry where the outlook is far from bleak, even if a bit of patience is still merited. A series of mergers and consolidations reduced much of the excess competition among the big international companies, the most outstanding of which was the Baker Hughes merger in 1987, which created the third largest oil service group.

Mr Jim Woods, Baker Hughes chief executive, says the merger enbled the companies to generate $100m cost reductions. Mr Woods is optimistic that the industry will gradually strengthen in the coming years, and expects the international rig count to rise from 1,800 now to about 2,400 in two years, with most of the improvement coming from outside of the US. There is also some improvement in the type of work on offer, with an upturn in deeper drilling on and offshore. Offshore drilling has service requirements about four to five times greater than typical onshore costs.

Some companies have been successful offering new services that save operators money. Eastman Christensen, formed in 1986 from a merger of Norton Christensen and Eastman Whipstock, has successfully marketed a package of steerable drilling equipment with electronic gear that locate the drill-bit accurately during operations. Older systems typically required periodic hauling up of drill strings, which can stretch for miles, to take well readings.

But the story has not just been one of scaling back and retrenchment. Pearson, the *publishing and industrial* group which owns the Financial Times, has taken advantage of the cheap prices of companies on offer to build up a substantial position in the industry through its Camco subsidiary. Camco capped off a string of eight acquisitions in five years last year with the $315m purchase from TRW of Reda Pump, an industry leader in downhole submersible motors and pumps.

Coming from practically nowhere, Pearson has put together a substantial force in the services business, ranking seventh internationally in terms of overall revenues. The Pearson strategy has been to concentrate on the higher technology end of the business, where it can command a substantial market presence for individual products.

The group is betting not only on a gradual, if slow, recovery of the industry, but also on a trend towards deeper, hotter, and more corrosive drilling which will make use of more of its products and services.

Steven Butler

DRILLING CONTRACTORS

In choppy waters

THE North Sea mobile drilling rig business is again holding its breath in the hope that 1990 will at last see a significant market improvement. Since the market started to slip back in 1983 "next year" has so far always failed to produce the hoped for recovery. A pick up last year in utilisation of jack-up rigs used for drilling in shallower waters has this year spread to deeper water semi-submersible rigs. But charter rates still have a way to go even to cover costs adequately.

In the jack-up market, utilisation rates of 100 per cent in the latter part of 1988 have since fallen back to about 86 per cent of actively marketed rigs this summer. There are prospects of some recovery of lost ground, however, and particular sections of the market, such as cantilever units, remain much tighter and close to full employment. Meanwhile, a significant decline in the semi-submersible fleet has combined with improved demand to boost semi-sub utilisation sharply.

By June this year the decline in the semi-sub fleet from a fairly steady 58 last year to 52 brought it into line with the jack-up fleet in the area for *probably the first time since* 1960. Semi-sub utilisation of about 88 per cent of the marketed fleet in July was ahead of the jack-up rate for the first time in a couple of years.

There is a prospect of further improvement next year. Recent oil company tenders for semi-submersible rigs needed for long-term development drilling have indicated a growing preference for higher specification units, for instance. That could tighten availability of third generation semi-submersibles in 1990 and beyond.

Other factors which should fuel future mobile rig demand in the North Sea area include the impact of recent licensing rounds and problems with drilling in high pressure areas. Apart from the latest licensing rounds in Norway, The Netherlands and Denmark, the UK 11th round alone should spawn something like 270 exploration wells over the next half dozen years.

This may generate more new jack-up charters than semi-subs but the latter may be longer. Furthermore, recent problems of drilling in high pressure, high temperature areas in both the UK and Norwegian sectors have produced a backlog of delayed wells which operators will be trying to catch up on as and when new drilling guidelines are settled.

In the absence of a tighter world market, North Sea charter day rates can only recover to the point where it becomes attractive for outside rigs to mobilise in.

Just as the jack-up market was helped by rigs leaving it was later hurt by rigs moving in. Now the semi-sub recovery *has started to attract incomers* such as the Maersk Vinlander from Canada following the earlier exodus. Recent day rates for a semi-sub rig rated for 10,000 psi (pounds per sq inch pressure) have been about £11,000, against about £9,000 last September. Jack-up rates, meanwhile, had slipped to about £13,500 by July for a 300 foot cantilever unit, the lowest since spring last year.

At the corporate level a number of drilling rig companies have been through Chapter 11 proceedings and come out the other side. There have also been some takeovers such as the acquisition in the UK of most of the Houlder Group's drilling interests by the Swedish Stena Group. But generally there has been no significant industry restructuring.

An innovative and complex transformation of Jebsens Drilling in the UK from a straight drilling company into Midland and Scottish Resources (MSR), a drilling and production company, has put flesh on the bones of a concept many have talked about for some time. As well as providing rigs for development drilling on the Emerald oil field, operated by UK independent oil company Sovereign Oil & Gas, MSR has a big equity stake in the project. It is playing a central role in the construction and production phases through conversion of the semi-sub rig Ali Baba as a floating production unit for the field.

However, Emerald remains a special case: it benefits from Department of Trade and Industry financing guarantees and oil production has been sold forward to Finnish state oil company Neste Oy.

Meanwhile, many of the main US players continue to be plagued by rumours about their future and financial haemorrhaging continues – witness Zapata's mid-August announcement of debt restructuring talks and continuing heavy losses by its offshore drilling division.

Against this background, and with a new semi-sub costing about $150m, the prospects for new rig orders are thin.

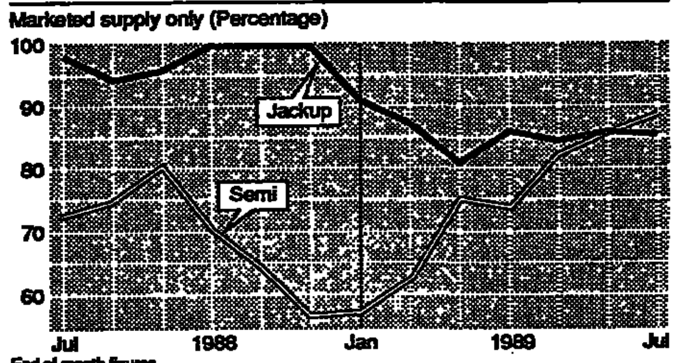
Nevertheless, with a declining world fleet – down to about 680 rigs by mid-August from about 705 a year earlier – there have again been warnings of possible big shortages of technically advanced rigs in the 1990s.

Within the industry companies still strapped financially may not be rushing to fork out on new investment. But outside investors with money may have a different perception, seeing drill rigs as under-valued capital equipment with potentially improved prospects in future years.

David Tudball

North sea mobile rig fleet utilisation

Marketed supply only (Percentage)



End of month figures

SAFETY

Spotlight on an unenviable record

THE world's worst oil disaster involving 167 deaths and the destruction of the Piper Alpha platform in the UK North Sea on July 6 last year has thrown an intense spotlight on offshore safety. At the same time a succession of further incidents and accidents since the disaster has entailed an additional significant loss of production if not life.

Although in some cases emergency procedures and shutdowns have worked as planned, curtailing damage and injury as they are meant to, the drastic deterioration in the UK Continental Shelf accident record during the past year has posed a question mark over the whole issue of safety in a maturing offshore province.

A marathon public inquiry into the Piper disaster is still continuing in Aberdeen, albeit adjourned until the middle of this month for the current Offshore Europe Conference and Exhibition. The two-part inquiry has many weeks to run yet. However, response by both the Government and the oil and gas industry has been under way in various forms ever since Piper.

New measures already introduced or proposed by the Department of Energy in the light of Piper investigations include:

■ statutory requirements on stricter regulation of permit to work systems offshore – serious shortcomings on Piper have been highlighted as potentially central to the initial gas leak;

■ installation of platform level emergency shutdown valves (ESVs) on pipelines – venting back of large quantities of hydrocarbons in pipelines connecting Piper with other installations is thought to have fuelled the inferno that developed some time after the initial explosion;

■ changes to regulations to increase lifeboat and life-raft capacity, to protect evacuation routes and muster stations, to provide escape ways to the sea, and to improve life-jackets and immersion suits, alarm and public address systems and communications;

■ instructions to carry out regular checks on life-raft launch mechanisms and new measures on first aid equipment.

Regulations have also been introduced to require elected safety committees offshore, although not through unions as long demanded by union leaders. New project approvals continue to emerge but on the basis that any further recommendations from the Piper inquiry will eventually have to be complied with.

Here the industry is clearly having to make a judgment on what is likely and what is not. Continued plans for large single platforms including accommodation, processing and drilling on one structure indicate there is little expectation of separate quarters platforms being widely required.

The BP Miller platform, approved after some delay in the wake of Piper, is such an integrated platform and plans for Piper Bravo are along these lines.

However, design changes including further blast and fire protection, for instance, are already well under way and added impetus has been given to the trend towards more unmanned or minimal facilities platforms.

More than 2,000 tonnes of steel was added to the Miller platform "topsides" section to contain any blast within a module and some £15m of extra safety features were added to the Amerada Hess Ivanhoe/Rob Roy floating production system even when conversion work was 80 per cent complete.

Further work upgrading safety provisions is under way on Shell/Esso's Southern North Sea gas installations. There has also been some recognition from the industry that corporate emphasis on cost reductions to maximise production could distract from safety awareness.

As well as Piper, a subsequent blow-out on the Ocean Odyssey drilling rig, which killed one man, has prompted a fresh look at problems of drilling in high pressure and high temperature areas. Here the industry is beginning to come up with new proposals in response to Government pressure to tighten procedures.

Criticism continues, however, particularly from trade unions, that both the Government and industry response to Piper and other accidents remains inadequate and that the Piper inquiry is not wide ranging enough. Demands for the Department of Energy's safety role to be removed to the Health and Safety Executive have been frequent and this issue will clearly have to be addressed if the department is eventually dismantled.

There have been claims of a retreat by the department on requiring seabed level emergency shutdown valves on pipelines, a claim it strongly denies. Certainly some are likely to be required and some have already gone in. But industry's reluctance to embark on widespread installation of technology claimed to be still very uncertain has been obvious. Present plans of operators such as BP and Shell for such valves appear to be fairly limited.

Further Government measures are already in the offing – on risk analysis the Energy Department is planning to introduce a requirement for safety assessments.

Many other important issues have emerged and remain to be dealt with by the Piper inquiry – ranging from continued serious shortages of Energy Department safety inspectors to the basic design philosophy of emergency vessels like Occidental's Tharos which was able to do little on the disaster night.

Perhaps one of the most interesting and fundamental is the issue of how to deal with a situation where both lifeboat and helicopter evacuation from a platform prove impossible. It is clear from the Piper inquiry that little work or progress has been made on this, although Energy Department director of safety Mr Jim Petrie conceded in evidence last month that it was of the "greatest priority".

David Tudball

THE SINGLE MARKET

Battle-lines drawn

BRITISH civil servants, oil industry executives and Brussels bureaucrats will be engaged in a long tussle for the rest of this year about the implications for the oil industry of the "1992" directives for the breaking down of internal barriers to the free market.

The main idea behind the initiative from the European Commission in Brussels was to set a firm date (1992) by which the free market should be extended to the parts of the member countries' economies that competition had not reached. These were largely sectors of traditional public procurement like telecommunications. Throughout the common market, state ownership in these big industries continues to be used to further nationalistic commercial aims.

The inclusion of the oil and gas exploration and production industry was therefore controversial from the start. It is dominated by multinationals which compete strongly against each other and could therefore be presumed to have an interest in letting contracts for engineering and construction projects at keen prices through the widest possible tendering.

That, at least, was the argument of the UK Government earlier this year when it pressed, apparently with some success, for the offshore oil and gas sector to be excluded from the 1992 regime. Other countries were not so sure, partly for the simple political reason that 70 per cent of EC procurement in this sector is for projects in British waters, so any benefits from bending the rules flowed mainly to British companies at the expense of rivals in continental Europe.

The other reason for wanting the sector to be included was that there is a strong *prima facie* case that the UK Government has twisted the arms of oil companies to "buy British," with discreet hints or threats that they would not be favoured in future licencing rounds if they are awkward.

The oil companies, meanwhile, have been in an ambiguous position. On the one hand, they would prefer free competition and would rather not offend the EC commissioners. On the other hand the UK Government continues to wield strong powers in relation to licences, the tax regime, safety regulations and other matters. Then the oil companies fear that compliance with the rules laid down by the Brussels bureaucracy could be onerous, time-consuming and perhaps costly if it led to delays while appeals from unsuccessful tenderers were processed.

These were among the reasons why it seemed possible that the offshore sector would be excluded when the 1992 proposals went from Brussels to the European Parliament on May 25. However on that day, the British representatives were absent because of Euro-elections back home, so the exclusion was not agreed.

Since then the Brussels Commission has been re-drafting the proposals to take account of some of the objections. A provisional version is expected to be circulated for comment within three months.

The UK Government's continued position is that it wants the sector to be excluded from the new rules. Behind the scenes, however, it is trying to ensure that the rules would not be so bureaucratic or onerous as to slow up development of the UK North Sea fields.

After all, it is difficult to argue even to a British audience, that with more than 80 per cent of the domestic market and 15 years' experience, the UK offshore supplies industry is a "fledgling" requiring any special help.

The industry itself replies, with some justice, that the competition it is being asked to meet is not fair and open, but covertly subsidised. How, it will say, can it compete with Italian, Spanish or French producers which have access to extra cheap supplies of steel or cheap labour? But the whole purpose of the 1992 exercise is to eliminate these distortions.

The "stickiness" of these markets will no doubt be open to debate, and more likely to some political horse trading. Nevertheless the final rules will have the status of law which member countries must abide by.

The industry and the UK government therefore have a strong interest in ensuring that it operates smoothly and does not compromise national safety standards. Special safety requirement might, of course be used as a way of giving preference to domestic suppliers. But on the other hand general EC standards might not be applicable equally to North Sea platforms and to installations in less hostile Mediterranean waters. A method of adding to a common standard in a way which is perceived to be fair must therefore be found.

Norway, which has had a strong policy of favouring its own suppliers, would not be directly affected by the new regime in Europe, but if the European industry is forced to dismantle internal barriers, there will be strong political temptations to erect external protectionist walls, if only so that they can be dismantled in future bargaining. That, however is another battle.

Max Wilkinson

ENVIRONMENT

Public anger rapidly coming to a head

OFF the southern coast of England, in a bay overlooked by the seaside resort of Bournemouth, BP found quite a lot of oil earlier this year – hundreds of millions of barrels – in the offshore extention to Wytch Farm, Britain's largest onshore oilfield.

Within a few years, without doubt, an oil platform, or some similar structure, will be built in the shallow waters of the bay, and remain for 20 or so years while the field is drained, all the while interrupting the once unobstructed view of the sea, and the Purbek range to the south-west.

BP has not yet announced any plans, nor even any reserve estimates, but in Bournemouth and the unspoilt nature reserves that surround this famous holiday spot, the need for a big structure to produce oil, and even the theoretical danger of severe pollution, is understood by local community authorities, tourism officials and conservationists.

Even so, on a recent trip to the area, it was hard to detect any serious opposition – only hope and confidence that BP will continue consulting with the community to minimise any impact. Everyone seemed to accept that a project of that scale was too important for Britain to be halted, even though the community stood to gain little directly.

Yet across the Atlantic, the entire US population seems up in arms and wants to prevent the oil industry from ever again marring with a drill-bit the ocean floor that lies under hundreds of feet of water, often far over the horizon from the nearest beaches.

Oil companies have individually paid tens (some hundreds) of millions of dollars to purchase federal leases off the Atlantic coast, off the coast of California, and near Alaska. Yet Congress, under pressure from local environmental groups, is busily denying the US Interior Department funds that will enable the government to play its part so the oil companies will be able to drill those tracts, as they were promised (The Gulf of Mexico is spared.)

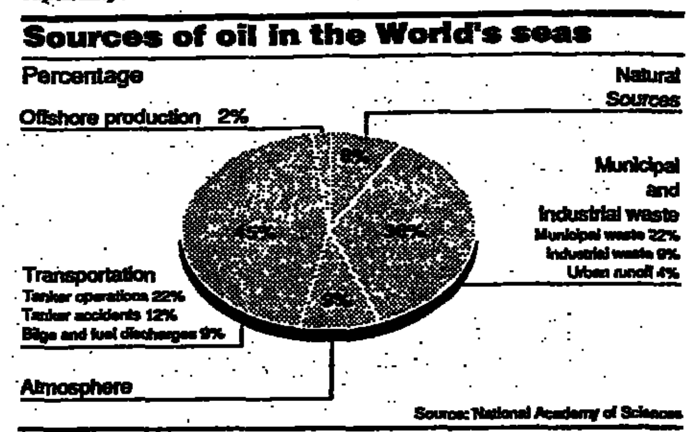
It is easy to argue and probably true that US public opinion, and the politicians who speak for it, are being unrealistic both about the actual record of the offshore oil industry and America's energy needs. In July the US imported more than half of its oil supplies for the first time since 1977, and the tankers that bring in this oil cause vastly more pollution than does offshore exploration and production.

A 1985 study by the US National Academy of Sciences found that tanker accidents and other shipping activities account for 45 per cent of oil in the sea, compared with just 2 per cent from offshore production (36 per cent comes from municipal and industrial waste, 9 per cent from the atmosphere, and 8 per cent from natural sources, such as seepage.)

Yet rather than blaming public ignorance, it may be more pertinent to ask why a huge, and apparently powerful industry, has failed utterly to present its case to the public, and why it is detested.

Of course, the Exxon Valdez tanker disaster, in which 261,905 barrels of oil were spilled into the Prince William Sound off Alaska in March, brought public hysteria about the oil industry to a head. The industry collectively has been left in the untenable position of either denying the ultimate seriousness of the accident, or admitting that it grossly miscalculated the potential threat caused by oil spills. It has in effect opted for the latter, activating emergency task forces to study and improve tanker safety and oil-spill response capability.

Sources of oil in the World's seas



But the hostility to the oil industry predates the disaster, which only served to heighten the pitch of public anger.

"The image of the oil industry is terrible," says Mr Richard Stegemeier, chairman and chief executive of Unocal. "We've taken the attitude that if we produce a quality product at a good price the image would take care of itself."

The resulting pressure for extreme action on environmental issues has deeply distressed many in the industry, who are generally better technicians and managers than they are politicians (and whose basic ideas about the environment probably differ little from those of the broad public).

"They (government officials) have the ability to just keep taking you in circles," says Mr Raymond Galvin, senior vice president at Chevron.

Chevron's $2bn development at Point Arguello off the California coast was staffed up and ready to start production in early August when the State revoked permission to transport oil in tankers from a nearby terminal (there is no pipeline from the terminal). County officials had earlier given that permission, but the state decided it wanted Chevron to see if it could find another way to market the oil and therefore revoke the permission to transport the oil by tanker.

"It's a crazy world we live in because the oil that we don't produce in that field will be taken by tanker into California. And they concede that," says Mr Galvin.

Following a series of three serious blowouts in 1969 and 1970, including the Santa Barbara blowout in California, the federal government tightened regulations for offshore drilling sharply, and the result is that since 1970 there have been only 10 production-related spills of more than 1,000 barrels (the biggest less than 20,000 barrels), according to the US Minerals Management Service, and none comes from losing control of a well (Most were caused by damaged pipelines.)

None of the spills, including the Santa Barbara blowout which was the biggest in US history, have caused any identifiable permanent environmental damage.

Mr Jack Little, Shell Oil vice president, is hopeful that the one year offshore drilling moratoria now going through the US Congress will be lifted following the report of a special presidential commission examining the question. Others are less optimistic.

"We've got a big fight on our hands to keep these areas open," says Mr Bill Sears, who heads BP Exploration's offshore business unit in the US.

"We're on an absolute collision course between energy and the environment," says Mr Stegemeier. "We have the most promising outer continental shelf areas for gas development in moratoria." And gas, he says, is gradually emerging as being the environmentally friendly fuel of choice.

What distresses many in the industry is the apparent lack of coherence, the lack of any sensible and consistent energy policy based on an assessment of energy needs, environmental priorities, and the cost of protecting the environment.

Mr Stegemeier believes that any solution will have to stress conservation. But so far he and others have been banging on an empty drum. Any sensible energy policy is almost certain to hurt the oil companies in some ways, as it may help in others. Yet as one Chevron official said: "We don't have a national energy policy and it is going to hurt this nation."

Steven Butler

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday September 5 1989

INSIDE

Leadership ambitions drive Peugeot

France's Peugeot group might not have moved heaven, but it has shifted a huge amount of earth and even a river to bring into production its new 605 range of executive saloons announced today. The car itself forms an important ingredient of Peugeot's ambition of capturing leadership of the West European motor industry. But it is at least matched in importance by the FFr9bn ($1,366m) investment in the plant that is producing it at Sochaux, near Besle. John Griffiths reports on the programme that is intended to take France's single largest industrial site both into the 21st century and on to a new plateau for the group in terms of manufacturing technology and methods of working. Page 26

Pausing to admire the view

Investors stopped to take in the view from the higher slopes of the world's equity markets last week and share prices made very little progress in one of the steadiest weeks of the year. New heights were reached with the minimum of effort. Alison Maitland reports. Page 38

Now for the hard part

The summer's fine weather made this year's harvest one of the easiest on record. In all but a few parts of the country the grain is safely gathered in. But, says David Richardson in his Farmer's Viewpoint, that was the easy part. Far harder is estimating the size. Page 30

GrandMet deal on the cards

Grand Metropolitan is expected to announce this week that it is selling either all or most of its Mecca and William Hill betting shops to Brent Walker, the drinks, leisure and property company headed by Mr George Walker (left). Discussion is continuing over whether or not Brent Walker gets all the 1,500 outlets in the UK, estimated to have a £600m ($942m) price tag. It is understood that Mr Bob Greene, the former head of Mecca Bookmakers would like to buy some of them. Page 26

Stores follow accounting trend

The UK accounting profession has been a helpless bystander as companies have taken advantage of accounting ambiguities to massage their reported profits. Although the stores sector is not the only one to delve into such practices as acquisition accounting, capitalisation of interest and off-balance sheet finance, it has become unusually prone to adopt them because of the pressures upon retailers. David Waller reports. Page 28

Bumpy ride ahead

The proposed leveraged buy-out of United Airlines through an Employee Stock Ownership Plan by a consortium of its management, employees and British Airways looks like flying into a political backlash against this tax-efficient form of employee ownership. Since the early 1970s, Esops have been the darling of Congress, which saw them as a tool of "people's capitalism" and "workplace democracy". However, writes Janet Bush, the increasing popularity of leveraged Esops and the use of plans as a highly-effective takeover defence have started turning political sentiment around. Page 29

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Chief price changes yesterday

FRANKFURT (DM)				La Redoute	4180	–	165
Rises				S.F.I.M.	1620	–	56.2
Degussa	398.5	+	10.5	**TOKYO (Yen)**			
Deutsche Bank	663.5	+	18	Rises			
Kaufhof	545.5	+	13.5	Sanko Metal	1230	+	140
Thyssen	244.5	+	8	Toyo Sanen	1410	+	90
Volkswagen Ord.	493.3	+	10.5	[illegible]			
Falls				[illegible]	1870	–	200
Hoechst	300.3	–	4.1	Falls			
PARIS (FFr)				[illegible]	2820	–	180
Rises				[illegible]	1450	–	80
Cap Gemini	2524	+	141.5	[illegible]	1700	–	100
Moulinex	148.4	+	8.3				
Falls							
Euromar	1767	–	77.4				

New York markets closed.

LONDON (Pence)				STC	365	+	7
Rises				[illegible]	222	+	16
Abbey	484	+	32	[illegible]	347	+	7
[illegible]	1185	+	18	United Biscuits	412	+	15
Bass	697	+	8	Warburg (S.G.)	454	+	21
[illegible]	595	+	15	Wellcome	747	+	17
[illegible]	1624	+	25	Falls			
Grand Met	548	+	13	BAT Inds	817	–	13
[illegible]	251	+	8	Brit Airways	228	–	1½
LASMO	534	+	5	De La Rue	357	–	16
Laporte	518	+	9	Standard Chart	546	–	4½
[illegible]	281	+	8				
Norton Opax	221	+	30				
[illegible]	472	+	8				

Bowater offers £382m for Norton Opax

By Andrew Hill in London

BOWATER Industries, the packaging and industrial products group, yesterday launched a £382m ($600m) hostile bid for Norton Opax, the specialist print and packaging group, and a campaign to thwart Norton's unwelcome bid for De La Rue, the banknote-printer.

Bowater bought Norton shares in the market and now speaks for 29.99 per cent of the votes in the company, which it plans to cast against the De La Rue deal at a special meeting next week.

Mr David Lyon, Bowater's chief executive, said yesterday: "We believe it's important to stand up and be counted at this time, because Norton has made a bid which isn't in the interests of its shareholders."

He said the Bowater offer would not be increased unless a rival offer emerged. If shareholders in Norton give the De La Rue offer the go-ahead, the Bowater bid will lapse.

Norton struck back last night by obtaining a court order forbidding one of Bowater's advisers, Bankers Trust International, from acting for the predator, or disclosing any confidential information about Norton to Bowater or Morgan Grenfell, the group's other adviser.

In particular, the court order said, Bankers Trust could not disclose information relating to Norton's future trading prospects, including likely sales growth and profit margins, or details of disposals and financial strategy.

Bowater first bought a 26 per cent stake in Norton at the beginning of the year, from Mr Robert Maxwell, the publisher. If Norton's cash-and-share bid for De La Rue succeeds, that stake would be diluted to about 13 per cent and Bowater would no longer be able to take a share of Norton's profits in its own accounts.

Yesterday, the packaging group bought 7.29m more shares in the market, increasing its holding to 31 per cent of the ordinary shares.

Bowater also yesterday announced interim results for the first half of 1989, with pre-tax profits up 21 per cent to £36.5m (£30.5m). Overall turnover came down from £727m to £709m following disposals.

Earnings per share rose from 17.9p to 21.5p and Bowater declared an interim dividend of 8.5p per share against 7p.

Norton shareholders accepting the Bowater offer would receive three new Bowater 7.75 per cent convertible cumulative preference shares and 600p in cash for every four Norton ordinary shares. Preference shareholders are offered 159 new Bowater convertible preference shares and £318 in cash for every 400 Norton convertibles.

The cash alternative is worth 225p per ordinary share – against the ordinary offer value of 228.75p – or 119.25p per preference share, against 121.2p under the preference offer.

Bowater shares rose 6p to 501p yesterday, while Norton's share price, which had increased sharply on Friday on rumours of a Bowater offer, was up from 191p to 221p. De La Rue shares slipped 16p to 357p.

When ploughshares turned into bayonets

Andrew Hill reports on how Bowater's hostile bid has transformed Norton Opax from predator into prey

IN January, after Bowater Industries had surprised the City by spending about £70m ($110m) on a stake in Norton Opax, Mr David Lyon, Bowater's chief executive, was in a benign mood.

"I think when you have a group of people, such as those at Norton, who are very proud of what they have done and have a strong sense of independence, it is much better to come to them with a ploughshare-and-olive-branch approach, than with bugles and fixed bayonets," he said at the time.

Yesterday, with bugles blaring, the packaging and industrial products company thrust several bayonets into Norton, transformed within two weeks from predator – in its hostile bid for bank-note printer De La Rue – to prey. Bowater's "full and final" bid for Norton, a specialist print and packaging company, is worth £382m.

According to Bowater's lengthy preliminary statement, Norton's offer for De La Rue has "no commercial merit and exposes Norton Opax to high financial risk". Norton's record is faltering, its earnings are declining, its margins static, its leadership indecisive and its bid illogical. De La Rue, set to produce its formal defence early next week, could not have done much better.

As Mr Richard Hanwell, Norton's chief executive, pointed out yesterday, Bowater's press release on the bid is practically a fully-fledged offer document.

It needs to be. At the end of next week, if Norton's shareholders approve the De La Rue offer, Bowater's bid will lapse. Following market purchases yesterday, Bowater can speak for just under 30 per cent of the votes, but it still needs to persuade fellow Norton shareholders that their board's strategy is at fault.

That explains why the first bayonet thrusts of Bowater's bid are directed at Norton's management and the logic (or otherwise) of its offer for De La Rue.

But Bowater watchers will also be interested in the way in which this latest move fits into the packaging group's own developing strategy.

Six years ago, as Bowater Corporation, the company relied on pulp, paper and newsprint. Damaged by dependence on the cyclical industries, Bowater cannily gave bid speculation the slip in 1984 when it announced a demerger. That split out its US paper-making interests (Bowater Inc), to leave behind paper, tissue, packaging, merchanting, freight and industrial products based in the UK (Bowater Industries).

Initially hailed by observers, the demerger failed to produce the promised benefits for Bowater Industries and growth was sluggish.

In 1986, fed up with capital intensive, cyclical investments, the group sold its half-share in Bowater Scott, to its partner Scott Paper of the US, which made Andrex toilet paper. Separately, a management team bought Bowater's original core business, the UK paper-making and merchanting interests, which later came to the market as UK Paper.

Those deals heralded a change in direction for Bowater and the installation of a new management team led by Mr Norman Ireland, formerly BTR's finance director, as chairman, and Mr Lyon, former managing director of Redland, the building materials company.

An £89m rights issue was swiftly followed by the purchase of Rexham Corporation of the US, a specialist producer of cartons, film, labels and flexible packaging, for about £226m. The acquisition added a new division – coatings and laminates – to the Bowater portfolio.

Underperforming subsidiaries and peripheral businesses – such as the freight interests – were sold, raising more than £60m between the middle and end of last year. Out of that strategy was born a desire to expand Bowater's printing interests to produce more colourful packaging for clients, pushing up margins.

In that respect, January's purchase of a stake in Norton from the omnipresent Mr Robert Maxwell (also a key De La Rue shareholder), must have seemed logical to Bowater's management. But the deal baffled analysts.

Mr Lyon said yesterday: "We believed Norton was basically a series of small, strong businesses with good shares of good markets. We believed these companies would benefit from a closer association with us, improving the quality of our print and packaging core business."

As a full bid, analysts believe the strategy has a more pleasing appearance. The overlap in product lines is fairly narrow.

Some 45 per cent of Bowater's print and packaging division comes from printing, but most of the print operations aim to add value to packaging. The cheques which Bowater prints are company cheques not personal cheques (like Norton's). Book printing and publishing is so far away from the core of Bowater's business that it could be sold.

But Bowater argues that its business form and cheque-printing network could distribute Norton products, while its position in the Far East and Australasia links with Norton's aim of developing a marketing platform in the area.

Norton is still concentrating its attentions on attack (of De La Rue) rather than defence (against Bowater), but the market seemed resolved yesterday that its De La Rue bid was dead in the water. The banknote-printer's shares slipped 16p to 357p, despite an academic increase in the value of the Norton offer to 401p a share.

The chances of Mr Hanwell and Mr Lyon making up seem remote. They have hardly seen eye to eye since Bowater bought its Norton stake and if the result of the shareholder meeting goes against Mr Hanwell he seems unlikely to soften his reaction to Bowater's bugle and bayonet approach.

When the two met last Friday to discuss the De La Rue bid, the meeting was "certainly amicable and definitely constructive" (according to Norton) and "informative" (according to Bowater). The possibility of a bid for Norton did not come up.

"It was an excellent meeting, very constructive – but obviously they're extremely good at acting," remarked a terse Mr Hanwell yesterday.

Trevor Humphries

David Lyon (left) and Norman Ireland, leaders of management team: keen to expand Bowater's printing interests.

Adia in Swiss services merger

By John Wicks in Zurich

ADIA, the world's second largest employment agency, is to merge with fellow Swiss company Inspectorate International to form what it is claimed will be "one of the world's largest service groups."

The transaction marks a further development in the reshuffling of the business interests of the influential Swiss industrialist Mr Werner Rey.

Omni Holding, in which Mr Rey has a stake of some 80 per cent, owns 37 per cent of Inspectorate, which in turn acquired a controlling minority stake in Adia earlier this year giving it 20 per cent of the capital but 38 per cent of the votes.

Only last week, Omni announced the purchase from Inspectorate of a shareholding exceeding 80 per cent in Harpener, the German property and holding company, for DM1.01bn ($513m).

The merger transaction involves a split of Adia bearer shares from SFr200 to SFr100 nominal value, the conversion of registered shares into bearer shares and a one-for-one rights issue. Lausanne-based Adia, 1988 turnover of which amounted to SFr2.51bn ($1.5bn), is the world's second largest employment agency after Blue Arrow of the US. Employment agency activities, which include Alfred Marks agency in the UK, accounted for SFr2.25bn of last year's revenue. A further SFr108m of turnover came from the security-services sector.

Inspectorate International, of Berne, had 1988 turnover of SFr2.47bn. Its main activities are in the field of computer leasing, quality inspection and security services. Its biggest division, information technology, covers computer leasing, data banks, software and disaster centres and had turnover of SFr1.81bn last year.

One benefit of the merger is seen to lie in its "uniting the knowhow of two largely complementary management teams." When Inspectorate acquired the Adia shareholding, Mr Yves Paternot, Adia's general manager, became managing director of Inspectorate, while Mr Martin Pestalozzi, Adia managing director, became vice-chairman of Inspectorate. Both executives serve on the Adia board, Mr Pestalozzi as its chairman.

Although final details on the planned merger will not be released until the end of this month, it is known that Mr Rey's interest in the new company will be reduced.

Details, Page 20

Nomura invites players to pay $1.26m per shot at Wentworth

By Paul Cheeseright in London

WENTWORTH, not quite but nearly the most hallowed of British golf clubs, comprising 800 acres in the smart stockbroker belt of Surrey, is being split up.

For £800,000 ($1.26m) the rich investor, with golf on his mind and visions of a property play at the back of it, is being offered the chance to buy 1 per cent of the Wentworth equity in what is surely one of London's more discreet international share placings.

Nomura International, the Japanese securities house, has approached 65 investors, offering the £800,000 units, in the hope of obtaining 40 responses to raise £32m for Chelsfield, the private property company which owns Wentworth.

If this comes off – and Nomura is discreet about the chances, not venturing beyond "some indications of acceptances" and "some Japanese acceptance will take place" – then Chelsfield will have orchestrated a neat deal for itself.

Wentworth was only worth £17.7m a year ago when AMEC, the construction and property group, sold it to Chelsfield and Benlox Holdings. By the end of the year Benlox had sold its 40 per cent stake to Chelsfield for £12.5m.

So that left Chelsfield, controlled by Mr Elliott Bernerd, in sole control of expanding the club from two to three courses, building a new clubhouse and pondering the possibility of development on 100 spare acres.

Now, as American, British, Hong Kong, Japanese and Swedish investors look at Nomura's offer document, Mr Bernerd can contemplate getting his money back while still controlling profits from what will be a UK institution with foreign leavening.

What the club members think of all this is not clear.

Their social life, however, should continue its even, if expensive, tone.

Mr Willie Bauer, once managing director of the plush Savoy Hotel, took over the running of the Wentworth clubhouse last Friday.

Eagle Trust chief brings in allies

By Philip Coggan in London

THREE NEW directors have been appointed to the board of Eagle Trust, the UK industrial holding company which is the subject of a Serious Fraud Office investigation. The move appears to give Mr Malcolm Stockdale, the chairman of Eagle Trust and of the US group Iroquois Brands, boardroom control.

In a board meeting on Friday night it was agreed, at Mr Stockdale's suggestion, that Mr Antony Theodorou, vice-chairman of Iroquois, Mr Malcolm Lovett, a director of Iroquois and Mr Norman Ricketts, a Bristol-based businessman be appointed to the board.

Together with Mr Bob Garrison, Iroquois' chief executive and Mr Hamish Janson, who regularly supports Mr Stockdale, the changes are likely to give Mr Stockdale six votes on the 10-man board. Mr Ricketts, a former banker, said yesterday: "I would not have accepted the appointment had I not felt confident of what can be accomplished through Mr Stockdale's dynamic and incisive ability to achieve results." Mr Sidney Samuelson, a non-executive director, is understood to have opposed the move to expand the board. Other directors are believed to have opposed some of the appointments.

The situation is unusual as Iroquois has not paid for a 12.9 per cent stake in Eagle, which it agreed to buy in April, because of its concern over warranties apparently given by Mr John Ferriday, Eagle's former chairman and chief executive. Yesterday, the owner of part of that stake, Coast Investments, a Kuwaiti-based group, said it considered itself still to own a 5.8 per cent holding. Mr Andrew Fitton, chief executive of Braithwaite, the UK industrial services company, who has made an approach through merchant bankers Henry Ansbacher with a view to injecting capital and buying Eagle subsidiaries, said he regarded the appointments as a further potential obstacle.

Meanwhile, reaction continued to Mr John Ferriday's reported statement that Eagle funds were used in 1987 to meet the commitments of sub-underwriters in an Eagle rights issue. Mr Ferriday's explanation made no mention of Anser General Investments, a Panamanian registered company, which according to Swiss Bank Corporation, the organisers of the rights issue, gave instructions for £13.5m to be paid, mainly to meet Mr Ferriday's sub-underwriting commitments.

A spokesman for Peat Marwick, the auditors which signed Eagle Trust's 1987 accounts, said: "We have no evidence of any monies being used to support the underwriting. We carried out an investigation but this did not shed any further light on the subject. However, the 1988 audit remains unsigned and we are still investigating the flow of funds during 1988."

DETAILS OF ADIA-INSPECTORATE MERGER

Shares swap to create big Swiss services company

By John Wicks in Zurich and Our Financial Staff in London

THE MERGER announced yesterday between Adia, the Swiss temporary employment services group, and Inspectorate International, the Swiss inspection and employment services concern, will be executed through an exchange of shares.

The swap plan has been approved by the boards of the two companies, which are both linked indirectly to Mr Werner Rey's business interests.

The first stage of the proposed merger plan would involve a split of each of Adia's current bearer shares, which have a nominal value of SFr200, into two new Adia bearer shares with a nominal value of SFr100, a company spokesman said.

Werner Rey: Adia and Inspectorate link

This would be followed by an elimination of Adia's current registered shares, which have a nominal value of SFr100, through an exchange of those shares for the new bearer shares.

The holder of one registered share would receive in exchange two of the new bearer shares with a nominal value of SFr100 against payment of SFr100. As a result, Adia would no longer have registered shares, only bearer shares.

The next stage would involve a capital increase, reserved exclusively for Adia shareholders, in which each holder of one new bearer share with a nominal value of SFr100 would be offered one new bearer share at par value, or SFr100.

Owners of one existing Adia participation certificate (PC) of SFr20 nominal value would receive an additional certificate of the same nominal value on payment of SFr20.

This would be followed by a second capital increase aimed at accommodating the number of new Adia bearer shares and PCs that would have to be created to exchange Inspectorate shares for Adia shares, a spokesman for both companies said.

These new Adia shares and PCs would then be offered to current holders of Inspectorate bearer shares and PCs. For Inspectorate shareholders, one SFr100 bearer share would entitle them to one new Adia bearer share, while one existing SFr20 Inspectorate PC would be exchangeable for a similar Adia certificate.

In both cases, no charge would be made. Inspectorate does not have registered shares.

In terms of the size of the future group, Adia is already expecting higher revenue than in 1988, its turnover having jumped by 32.2 per cent to SFr1.62bn ($953m) in the first half of 1989.

In the case of Inspectorate, 1989 figures are harder to estimate. The company is to sell Harpener, with annual turnover of some DM176m ($89.3m), to Omni Holding. At the same time, the company is studying its position regarding Meridian International, the computer-leasing group, which does not seem to fit into future corporate strategy.

However, Mr Paternot says this will not necessarily mean divestment; one alternative is to find a "financial partner."

Miller & Santhouse in bid talks

By John Thornhill in London

HECTIC stock market speculation yesterday forced Miller & Santhouse, the Liverpool-based optician, into announcing it was in talks which might lead to a bid at 185p per share. This would value the company at £14.5m ($22.7m).

The announcement was preceded by a sharp rise in Miller & Santhouse's share price, which at one stage touched 195p before closing at 183p, up 23p on the day.

However, there was some fierce criticism in the City at the price at which Miller & Santhouse's management appeared to be prepared to sell the business. Mr Mark Husson, a stores analyst at Morgan Stanley, said: "The price is a disgrace. The shareholders are getting a raw deal. The institutions which are sticking with the management are hoping they can turn it round not sell it off."

Miller & Santhouse runs about 100 opticians shops in the UK and seemed to have developed a highly successful retailing formula.

However, it was hit last year by the imposition of VAT on optical products, and pre-tax profits fell by 20 per cent to £400,000 in the second half of 1988. When this result was announced in March, its shares plunged from 430p to 225p.

A further blow came earlier this year when free sight tests were abolished.

Analysts suggested that either Boots, the retail chemist, or fellow optician, Dollond and Aitchison, owned by Gallaher, might be possible bidders, although the guesses tilted towards the latter as Boots was presumed to be pre-occupied with digesting its acquisition of Ward White.

The company was founded by Mr Maurice Miller and Mr Jeffrey Santhouse in 1976, and expanded rapidly in the optical market.

NEWS IN BRIEF

UAP and US concerns in joint venture

UNION DES Assurances de Paris (UAP), the French state-owned insurer, has agreed to set up a European joint venture with Kemper National Property, the US insurance group, and Casualty Companies, part of Kemper Corporation of Chicago, Reuter reports from Paris.

UAP said the company would market and service highly-protected risk (HPR) insurance in Europe. HPR insurance is offered to clients who already have a high level of protection against damage or loss to goods or property. HPR premiums reflect this protection.

The French company said Mr Jean Peyrelevade, UAP's chairman, and Mr Gerald Maatman, Kemper's president, had signed the agreement yesterday in Monte-Carlo. It also said the two groups would work together outside Europe.

■ The Instituto Nacional de Industria (INI), Spain's state industrial holding, has agreed with Ercros, the country's largest fertiliser concern, to form a single Spanish fertiliser producer to compete with European rivals.

INI said it had agreed to sell 80 per cent of its fertiliser company, Empresa Nacional de Fertilisantes, to Ercros for Pta 7.44bn ($60.5m). INI retains 20 per cent. Ercros was formed by the merger of chemical group Union Explosivos Rio Tinto (ERT) and the Cros fertiliser company, both controlled by the holding company Grupo Torras.

■ VDO Adolf Schindling, the West German manufacturer of automobile instruments, said yesterday that group sales climbed 12.8 per cent to DM1.12bn ($568.5m) in the first half of 1989 from DM993m a year earlier.

Parent company sales rose 9.5 per cent to DM781m from DM713m. VDO said first-half net profit in the parent company was 1.2 per cent of sales. That would translate into earnings of DM9.4m. The company did not give any year-earlier figures.

Most of the sales increase came from VDO's foreign subsidiary.

Esops face the day of reckoning

Janet Bush on moves to deprive leveraged schemes of tax breaks

The proposed leveraged buy-out of United Airlines through an Employee Stock Ownership Plan by a consortium of its management, employees and British Airways comes at the start of a political backlash against this tax-efficient form of employee ownership.

Under the terms of the $6.8bn leveraged bid unveiled late last week, British Airways would take a 15 per cent stake, 10 per cent would go to management and the remaining 75 per cent would be owned by its employees. If the bid succeeds, United Airlines will be the largest US company ever to be controlled by its employees.

The US Transportation Department has voiced its concern about highly-leveraged bids for airlines after the $3.6bn buy-out of Northwest Airlines earlier this year and the Bush Administration has indicated that it may take a harder line against leveraged buy-outs of airlines.

The Government is likely to look closely at the consortium proposal on the grounds of the size of leverage, the slice of foreign ownership and the use of an Esop.

Despite discomfort with some uses of Esops, US analysts felt that, given a choice between the hostile bid by Mr Marvin Davis, the California investor, and a buy-out favoured by the current management and including employees in the new ownership, the Government would tend to prefer the latter.

Since the early 1970s Esops have been the darling of Congress, which saw them as a tool of "people's capitalism" and "workplace democracy" which would increase the commitment of employees to their companies and so improve corporate performance.

With this in mind, Congress has passed more than a dozen laws since 1974 encouraging companies to adopt schemes that would spread employee share ownership through tax incentives.

However, the increasing popularity of leveraged Esops and the use of plans as a highly effective takeover defence have started turning political sentiment around.

Esops have always attracted ambiguity. To some, they have proved a highly effective way of motivating workforces and spreading capital ownership. To others, they have evolved into no more than a way of dodging corporate taxation and have even been used by companies as an excuse for cutting other kinds of employee benefits such as pension plans.

More recently, their proven success as a takeover defence has both encouraged numerous blue-chip companies such as Procter & Gamble, Texaco and General Mills to adopt them and raised the suspicions of Congress.

Politicians increasingly argue that the Esop has become no more than another weapon in the anti-takeover arsenal, helping entrenched managements to escape the rigours of a hostile bid which would ensure increased value for shareholders.

Since the early 1970s Esops have been the darling of Congress, which has seen them as a tool of 'people's capitalism'... but politicians increasingly argue that the Esop has become no more than another weapon in the anti-takeover arsenal

An Esop borrows from a qualified lender such as a bank or insurance company, the debt being secured by the parent company, and the proceeds of the loan are then used to buy the company's stock. The shares are put in a trust which secures the loan.

The Esop then repays the loan with the employer's annual contributions to the plan. As the employer is released from securing the loan, shares are allocated to employees.

An Esop, ultimately an employee benefit plan, has the immediate effect of giving the employer an infusion of capital. In effect, a company places a portion of its stock in friendly hands and at the same time enjoys the advantage of borrowing at a cheaper rate than normal.

The most significant tax break, now under fire from Congress, is that commercial banks and other corporate lenders can exclude from tax 50 per cent of the interest earned when an Esop borrows to buy stock from an employer. The employer, in turn, can borrow funds at a rate which is typically 1½ percentage points below a company's normal borrowing costs.

It is this provision that has helped transform the Esop from a democratic tool to encourage employee ownership into a powerful component of corporate finance and so attracted opprobrium from Capitol Hill, already up in arms about leveraged takeovers.

In June, Representative Dan Rostenkowski, chairman of the powerful House Ways and Means Committee, introduced a bill that would exclude the 50 per cent tax break for lenders and was intended to crack down on corporations that the Committee argues are adopting Esops purely to attract tax advantages without necessarily providing increased benefits for their employees.

Esops have evolved a great deal since their inception. The first Esop was in 1957 when Mr Louis Kelso, a San Francisco attorney now in his 70s and acknowledged inventor of the technique, helped employees to buy out the owner of their California newspaper.

Until recently, Esops had grown at a fairly steady rate of around 800 new plans a year, or another 1m employees. This growth can be traced to the combination of tax incentives and the proven success of companies such as Avis, the car rental firm, which was bought by its employees through a $1.75bn Esop in 1987. Its pre-tax profits have increased from $14.8m in 1987 to $41m in the year ending February 28, 1988. At the same time, customer complaints have dropped sharply.

However, Esop borrowing has exploded in the last six months or so. In 1988, companies borrowed a record $6.5bn to fund Esops. This May, the Esop loan business stood at an annualised $18bn. According to Mr Corey Rosen, director of the National Centre for Employee Ownership in Oakland, California, public company Esop borrowings in the first quarter of this year exceeded total Esop borrowings over the last 15 years.

This phenomenon can be traced to the successful defence by Polaroid against a hostile takeover bid by Shamrock Holdings.

Polaroid expanded its Esop last July to give its employees a 14 per cent stake, expressly to fend off the Shamrock bid. Shamrock appealed but failed to convince a Delaware judge of its argument that employees tended to vote with the existing manager. Shamrock conceded defeat shortly after that decision.

After that decision, Procter & Gamble set up a $1bn Esop, among numerous plans adopted as an addition to companies' anti-takeover arsenals.

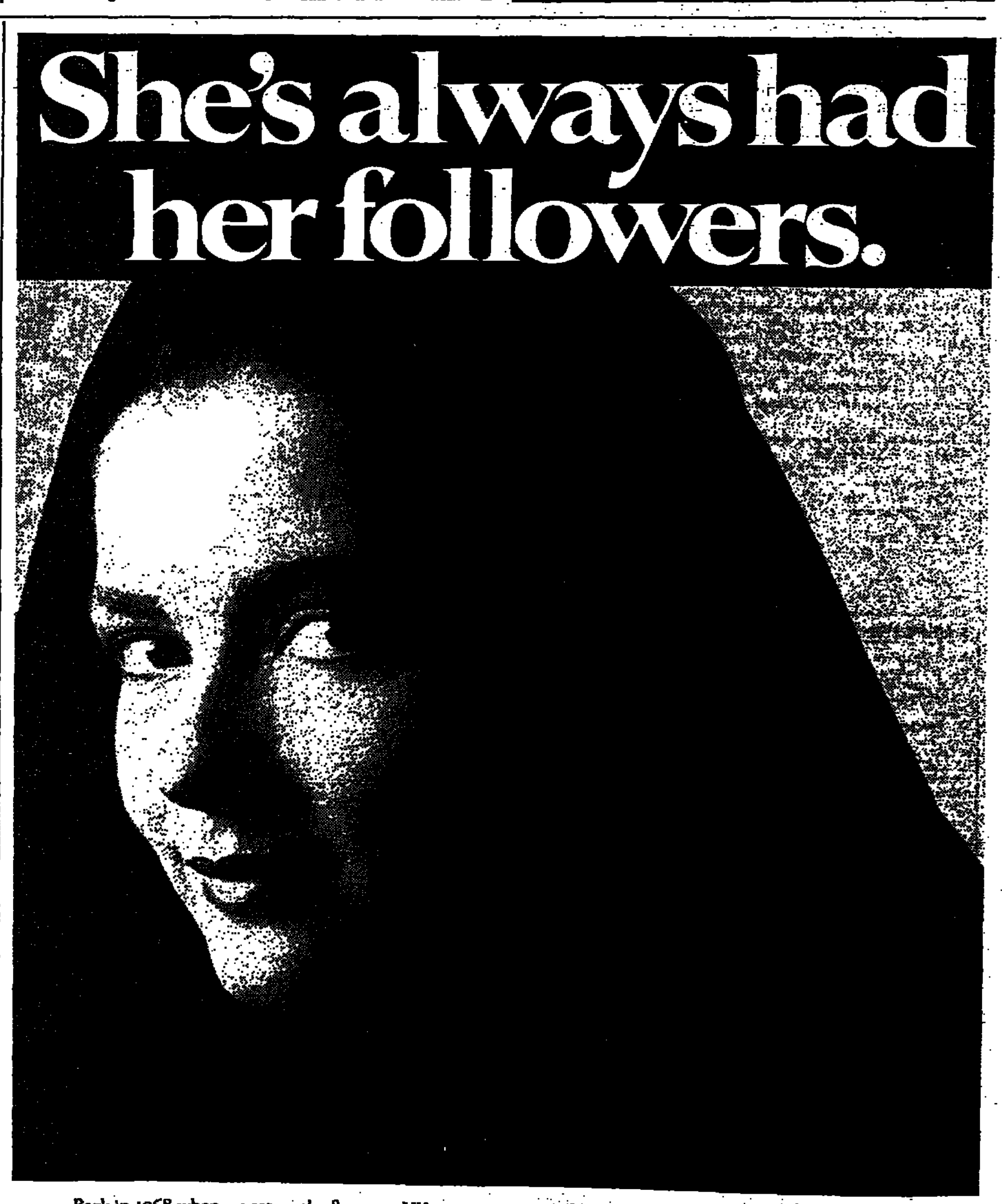
A study by Analysis Group, a Massachussetts consultant, gives some support to the argument that defensive Esops are bad for shareholders. Of 21 companies creating or expanding Esops since the Polaroid decision in January, the stock prices of 11 declined in the two days after the adoption of the plan was announced.

The possibility of legislation in Congress stripping companies and lenders of some of the most important tax breaks could dampen the current stampede into Esops, but their usefulness as a defence against hostile takeover will remain.

RECENT LEADING CORPORATION ESOPS

Company	1987 sales ($m)	Employees	% held by Esop
Time Inc	4193.5	20,000	5
J.C.Penney	15332.0	181,000	20
Lockheed	11370.0	99,300	17
Tribune Co.	2160.0	14,000	10
Procter & Gamble	17000.0	73,200	20
Federal Mogul	1,075.4	14,393	12
Polaroid	1763.9	13,662	14
PPG Industries	5182.5	36,800	20
ITT	8551.0	120,000	11

Source: New York Industrial Co-operation Council



INTERNATIONAL COMPANIES AND FINANCE

TNT rises to record A$226.6m net

By Chris Sherwell in Sydney

TNT, THE Australian-based international transport group, yesterday reported a modest 11.5 per cent rise in after-tax operating profits for the year to June, and depended on a lower tax charge to do it.

It showed a record net profit of A$225.6m (US$171.9m), compared with A$202.3m a year earlier, on sales of A$4.13bn, up just 3.8 per cent.

But at the pre-tax level, operating profits were actually weaker, falling to A$276m from A$299m.

On an equity accounted basis, which includes the results of the half-owned Ansett airline and aircraft leasing group, after-tax profit was A$221.5m, up 7.2 per cent from the previous year's A$206.5m.

The group said a higher Australian dollar "resulted in group revenue and profit figures which do not reflect the real net gains in local currencies over the previous year's operating results."

In particular it pointed to strong trading performances in Australia, the UK, Brazil, Italy and the US trucking divisions.

European operations, which TNT describes as its biggest single opportunity for growth in the 1990s, were said to have made a positive contribution to the results while absorbing the heavy costs associated with development of the group's overnight air express service.

TNT now has a total of eleven BAe 146 Quiet Trader aircraft in operation, and services into Hungary have begun.

In Australasia, the group said it had benefited from Australia's buoyant economy and was in a strong position to meet any downturn.

New Zealand operations, after a difficult period, were now operating profitably.

But analysts said the results did not match the gains seen by Mayne Nickless, another transport group, or the improvement expected from Brambles, with which TNT is also compared.

They also pointed to a misconceived move on Poseidon, the resources group, and the troubles of Ansett, which has lost market share to Australian Airlines and suffered from industrial disputes.

Ansett is half-owned with Mr Rupert Murdoch's News Corporation, and like its government-owned counterpart has its fleet grounded as a result of a pay dispute with domestic pilots.

Yesterday TNT acknowledged that the dispute would affect the profitability of all Australian aviation interests in the current year.

The dividend for the year of 15 cents per share, on capital increased by last November's one-for-five scrip issue, was partially franked to 15 per cent for local tax purposes and represented a payout of A$76m compared with A$63m the previous year.

Cyclone claims deepen FAI fall

By Chris Sherwell

PROFITS HAVE been slashed by almost two thirds at FAI Insurances, the Australian general insurance group formerly run by the late Mr Larry Adler and now headed by his son, Mr Rodney Adler.

The reversal left the group with net profits of A$60.04m (US$45.74m) for the year to June, down ffrom A$171m. Sales rose to A$632m from A$492m, but other revenues weakened to A$1.57bn from A$1.75bn.

Although earnings per share were down to 27.1 cents from 77.3 cents, directors declared a final dividend of 4 cents, making a total of 14 cents for the year including a 5 cent special dividend in June.

In a statement, Mr Adler said the results were "acceptable" in a year which saw high interest rates, a falling Australian stock market and cyclones on the country's east coast.

Investment write-offs "were of a once off nature and do not affect the fabric of the company's earnings profile," he said.

On the change in strategy under his leadership, he said the rationalisation of FAI's investment portfolio and peripheral assets would continue "until the company is back to concentrating on its basic four areas of specialisation, those of insurance (general and life), stockbroking, financial advice and general financing." Premium income net of reinsurance had reached a record A$539m from A$466m. Another A$97m was collected through workers' compensation premiums.

In the current year an additional A$70m would come from its new role as an underwriter of compulsory third party motor policies.

Total provisions for outstanding claims stand at A$938m. The group also achieved an underwriting profit of A$4.5m.

Mr Adler said the group remained "extremely liquid," and held cash and bank bills exceeding A$400m. FAI had also fully hedged its Swiss franc borrowings.

Surging demand boosts Boral

By Chris Sherwell

BORAL, THE building materials group which is one of Australia's largest companies, yesterday announced its fifth scrip issue in six years after reporting a record operating profit of A$301m (US$228m) for the year to June, up 44.3 per cent.

Surging domestic demand and A$500m-worth of acquisitions lifted sales by 31 per cent to A$3.67bn, making it the group's 19th successive increase in revenue and earnings. Earnings per share were 42.2 Australian cents, up from 32.3 cents the previous year after allowing for last year's scrip and rights issues.

The latest scrip issue is a one-for-10 offering, and will participate in the final dividend of 11 cents declared yesterday. This took the total pay-out to 25 cents including a four cent special dividend made in June, which compared with 19.5 cents the previous year.

The figures showed that Australia continued to dominate the group's performance, in spite of its expansion to the US and Europe and, to a lesser extent, Asia. More than A$3bn of the total sales, or 83 per cent, were generated at home, as were A$521m of the group's A$584m profits before interest and tax.

Among the group's domestic operations, A$1.1bn of sales, or about one-third, came from the construction materials sector. Building and home building products contributed another A$1.2bn.

Mr Bruce Kean, the group's managing director, said yesterday he was confident it could weather an economic downturn in Australia because, although the housing sector had already slowed, the group had an 18-month order book for construction materials.

Profits from North America slithered 31 per cent to A$36m, reflecting a highly competitive brick market and lower housing starts. The group acknowledged the result was "disappointing." European operations, principally in the UK and the Netherlands, improved.

The group said a rise in interest expenses (by 29 per cent to A$86m) and in depreciation (by 40 per cent to A$125m) reflected its expansion and higher interest rates. The debt to equity ratio, at 53 per cent, was improved from 55 per cent.

Lo Yuk Sui in Hooker Corp offer

MR LO Yuk Sui, a Hong Kong property magnate, is proposing to take control of Hooker Corporation, a financially troubled Australian property and retail company with US interests, AP-DJ reports from Sydney.

Mr Lo has outlined a preliminary plan to Hooker's bank creditors under which he is prepared to lend the company A$100m (US$76m) in working capital through his Richfield International Investments, a Hong Kong property company.

Richfield then would formulate a plan to restructure Hooker and submit it to Hooker's creditors by the end of November.

As part of that proposal, Richfield would acquire shares in Hooker and get options that eventually would give it at least 65 per cent of the company.

In a proposal sent to banks Richfield said its restructuring plan would provide for the orderly sale of some Hooker assets and for rescheduling of principal and interest that Hooker owes.

Richfield said it had experience in corporate rescues. Mr Lo heads several Hong Kong companies, including Regal Hotels, Paliburg Investments, and Century City Holdings.

Early this year Mr Lo's companies acquired control of Aircoa, a US hotel concern, injecting funds and selling some assets in an attempt to revive Aircoa, which changed its name to Regal-Aircoa.

Richfield said it wanted to acquire Hooker "as a going concern in order to preserve asset values in Australia and in the US . . . otherwise many Hooker assets will be sold prematurely and at unfavourable prices."

Wardley James Capel Corporate Finance, a unit of Hongkong and Shanghai Banking Corporation, is advising Mr Lo on the proposed transaction. Mr William Beerworth, managing director of Wardley James Capel in Australia, said yesterday the initial response from banks was "very encouraging." He hoped to have a firm response by early next week.

Hooker shareholders, other creditors and courts also would have to approve the idea.

Richfield expects Hooker to provide security for the A$100m loan. Some banks in July refused to lend Hooker more funds because they were not satisfied there was security to back additional loans. But Mr Beerworth said Richfield believed there were sufficient assets that were not already pledged to other creditors.

Hooker ran into financial problems earlier this year. In late July a group of its creditor banks abandoned a plan to keep the company afloat. They forced Hooker, which owes about A$1.6bn, to turn itself over to a court-appointed provisional liquidator from Peat Marwick Hungerfords, the accounting firm.

L.J. Hooker, the company's US subsidiary, subsequently filed for Chapter 11 bankruptcy protection. Included in the filings were Bonwit Teller and B. Altman, Hooker's largest retail chains.

Lefkochrysos to raise R300m through rights

LEFKOCHRYSOS, a newly established South African platinum mine, is to raise R300m ($108m) through a rights issue to expand its operations by 1992, writes Jim Jones.

The issue is scheduled for this year's fourth quarter and the company's name will be changed simultaneously to Barplats Mines. Lefko, which has a mine near the western Transvaal town of Brits, was acquired by the Rand Mines group from its previous owners a year ago.

Platinum and diamond side aids 42% rise at JCI

By Jim Jones in Johannesburg

SUBSTANTIALLY higher platinum, diamond, chrome and coal revenue combined to lift the equity accounted earnings of Johannesburg Consolidated Investment (JCI), the South African mining house, by 42 per cent in the year to June.

The group's pre-tax profit, which simply includes dividends from associates, rose to R405.9m (US$147m) from the previous year's R322.7m. Profits after tax and including the group's share of associates' retained earnings increased to R570.8m from R393.1m.

More than a third of the total equity accounted earnings came from platinum, largely from the investment in Rustenburg Platinum Mines where revenues grew strongly because of firmer nickel prices. Platinum contributed R199m while diamonds – largely investments in De Beers and its diamond marketing companies – lifted their contribution.

In Johannesburg yesterday Mr Vaughan Bray, a JCI director, pointed out that earnings from gold had risen to R24.5m from R21.7m in spite of losses by the Western Areas mine. JCI is providing bridging finance to cover the mine's operating losses and has no plans to close the mine.

JCI's equity accounted net earnings rose to R77.27 a share from R54.34.

INTERNATIONAL COMPANIES AND FINANCE

Melco spurns feudalism for globalisation

Ian Rodger on Mitsubishi's progress under the guidance of its president Moriya Shiki

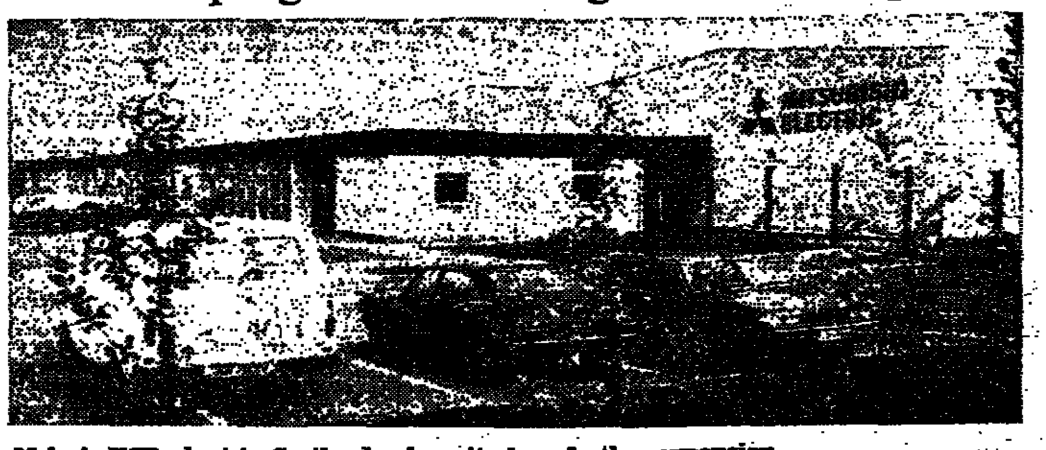
Anyone seeking to capture the mood of Japanese industry could do worse than talk to the leaders of Mitsubishi Electric (Melco), shares in which will begin trading on the International Stock Exchange in London this morning.

The sprawling, diversified Melco has the merit of being involved with some of the most glorious elements of Japanese industry – advanced consumer, industrial and military electronics – and some of the most dreary, such as heavy electrical machinery. As Japan's top producer of defence electronics and one of the big semiconductor makers, it has been in the thick of recent trade disputes with the US; and as a builder of nuclear reactors, it is, for the first time, feeling the sting of dissent at home.

The man presiding over this conglomerate is Mr Moriya Shiki, an engineer who joined Melco in 1947 but who still exudes the enthusiasm of a recruit. Mr Shiki is credited with carrying out something of a revolution at Melco since becoming president in 1985. Until then, the group was noted for its near-feudalistic behaviour, clinging to its old Mitsubishi *zaibatsu* contacts to win sales rather than being deferent to customers.

Melco then was conspicuously the least successful of the three mighty Japanese electrical groups. Hitachi's Y244bn ($1.7bn) in consolidated pre-tax profits in the year to March 1987 was more than six times larger than Melco's Y38.7bn, while Toshiba's Y78bn was double that of Melco.

Mr Shiki has directed the group to concentrate on higher value-added products, especially in the information and communications industries; on increased importing of low-cost components for Japanese factories; and on the development of an overseas network of production centres. "Our greatest global marketing challenge is to complete the construction of an efficient international manufacturing and sales network," he wrote in the group's annual report last year.



Melco's VCR plant in Scotland, where it plans further expansion

Melco now has four plants in the US making televisions, automotive parts and semiconductors, two factories in Scotland making televisions and video cassette recorders and other plants in Canada and Singapore. It has joint ventures making compressors for air conditioners in Thailand and for making light bulbs in Japan.

It has just announced plans to invest £8.7m ($13.7m) in an expansion of the Scottish VCR plant and is about to begin production of mobile telephones in France. A semiconductor plant in Europe is under study.

The results of this effort are beginning to show through. According to Mr Shiki, exports have declined from 29 per cent of sales in 1984 to 21 per cent last year, but overseas sales have been rising rapidly. On the *zaibatsu* front, sales to Mitsubishi group companies accounted for only 8.5 per cent of turnover last year and purchases from other group companies amounted to 5.7 per cent of total purchases. Also, by last year Melco had closed the profit gap a bit, achieving Y131.6bn in pre-tax profits, against Hitachi's Y484.3bn and Toshiba's Y234.8bn.

In an interview at the group's offices in Tokyo's Marunouchi district, Mr Shiki talked about the group's problems and prospects.

He was particularly pleased with the group's progress overseas. Building a chip plant in North Carolina was a huge effort and the television and VCR plants in Scotland had come along rapidly.

He was less pleased about trade relations with the US. Melco was hoping that the signing last year of a US-Japan agreement on technology exchanges in the defence area would open the way for new sales growth. Until now, it has been able to sell its defence electronic products only in Japan because of a Japanese government prohibition on exports of military equipment. But in the wake of the recent row with the US over development of Japan's new FSX fighter aircraft, Mr Shiki has become pessimistic. "Although we want to make sophisticated products, will the US want us to do so?" he asked.

Mr Shiki seemed unwilling to give any ground on the current US complaints about the difficulty foreign producers have getting their goods into Japanese distribution systems.

The US is particularly upset about the distribution of consumer electrical goods because most sales are made in high-street shops affiliated with one of the big domestic manufacturers, including Melco.

"Less than 40 per cent of our sales go through these shops, and it is declining. The young people do not want to take them over from their parents. I think it would be counterproductive to put pressure on them to disappear. I do not have any intention of refusing foreign products, but if the public does not demand them, then these shops cannot sell them. The big, independent stores can take on imports, but not the small family shops."

He was also unimpressed by the US application of section 301 of last year's trade act to attack the Japanese Government's alleged preference purchasing of domestically-produced satellites.

"In terms of technology, we are approaching the top level. Our point is that users have various needs and producers have to meet them. If we have to import, that might constrain our Government's ability to meet its needs. It would also put a cap on technological development."

The emergence of a strong anti-nuclear power movement in Japan in the past two years has also taken him by surprise. "The opposition movement is backed up by women's power. It is emotional and does not understand logic. It is a very difficult situation. Aside from nuclear, there are no other large sources of energy. We have no alternative but to explain this patiently. This is a new situation, especially for private-sector companies."

On the other hand, he is totally committed to the campaign to eliminate chlorofluorocarbons. Melco relies heavily on freon both in the manufacture of refrigerators and as a cleaning agent in the production of semiconductors. "Fortunately, our company had been investigating new ways of washing chips and we have recently announced a new method using ice particles. We intend to use it for our own manufacturing and others are asking us for the rights to use it. As for substitutes for freon in refrigerators, the problem is cost. For chips, we can fully substitute by 1991. As for our total usage, we can halve our dependence by 1993 and be rid of it by 1995."

Melco is expecting another year of strong profit growth, although not at the spectacular levels of the past two years. One reason is that semiconductor prices have come off the boil as production capacity has grown. However, Mr Shiki was optimistic that the cyclical excesses of the past would not be repeated.

"Four years ago, we suffered tremendously because of excessive competition. All manufacturers now are very cautious. Our view is that we should produce to match demand in the market. Instead, we are preparing for making new chips. I believe other top manufacturers are thinking in the same way, so we should be able to avoid the problems of the past."

Sime Darby raises profits by 65% to 339m ringgit

By Lim Siong Hoon in Kuala Lumpur

SIME DARBY, Malaysia's largest listed company, has announced an all-round improvement in its businesses for the year ended June, with a 25 per cent increase in turnover to 4.2bn ringgit ($1.6bn). After-tax profit rose 65 per cent to 339.4m ringgit.

Palm oil and rubber, which fetched better prices, boosted the group's plantation division pre-tax profit by 39 per cent to 131m ringgit. But as a share of the group's overall pre-tax profit of 505.3m ringgit (against 308.3m ringgit in 1988), plantation's contribution fell to 26 per cent from 30 per cent. However, it remained the group's biggest business.

Within the group, investment and interest income showed the biggest rise, to 72.3m ringgit from 31.1m ringgit. Sime Darby said this was largely because of the dividend from its 7.4 per cent stake in Harrisons and Crosfield, acquired in June 1988.

Tractors Malaysia, a Sime subsidiary handling heavy equipment and vehicles, was another big contributor. Profitability there leapt 76 per cent to 63m ringgit.

Of Sime's overseas operations, Hong Kong, at 80.4m ringgit against 60.1m ringgit, brought in the biggest amount – trading there is also mainly in vehicles and heavy equipment.

Singapore contributed 50.4m ringgit against 29.2m ringgit last time; the Philippines 13m ringgit compared with 16.2m ringgit; and Australia 4m ringgit against 2.4m ringgit.

The lower profit in the Philippines was attributed to a strike at its tyre factory.

The group's profit attributable to shareholders was 270.8m ringgit, up 78 per cent, while earnings per share were 21.6 cents compared with 14.5 cents last time. A final gross dividend of 12 cents, up from 10 cents, makes 17 cents for the year against 14 cents. The group is also proposing a bonus issue of one share for every two held.

Domestic demand boosts Sekisui

SEKISUI HOUSE, Japan's top prefabricated housebuilder, lifted unconsolidated pre-tax profits in the first half to July by 25.5 per cent to Y33.5bn ($231m) due to vigorous domestic demand, AP-DJ reports from Tokyo.

Sales grew 14.5 per cent to Y408.8bn. Net earnings were Y31.70 per share, up from Y24.51.

Company officials traced the sales and earnings gains to robust demand for new housing in Japan amid the sustained economic expansion. Though housing starts in the first half slipped below the year-earlier levels, they remained strong.

As the economy continues to expand, Sekisui House expects to do much better in the full year. It sees pre-tax earnings climbing to about Y70bn from Y54.84bn and net profits rising to Y33bn from Y24.02bn.

INTERNATIONAL CAPITAL MARKETS

W German savings banks back plan for central unit

By Haig Simonian in Frankfurt

THE long-awaited rationalisation of West Germany's cumbersome public-sector banking system has moved one step closer with the decision by the German Savings Bank Association to accept the findings of a report on structural change commissioned from McKinsey, the international management consultants.

The report, accepted almost unanimously, recommends that the country's 584 savings banks and 11 Landesbanken (state banks), which conduct wholesale banking business for the savings banks, establish one central wholesale banking institution to help them remain competitive after the inauguration of a free internal market in Europe after 1992.

The new institution, if it comes about, will be formed from the Landesbanken and Deutsche Girozentrale - Deutsche Kommunalbank (DGZ), the small Frankfurt-based wholesale bank which is jointly owned by the Landesbanken and regional savings bank associations. According to early indications, the DGZ could play a central role in the new unit.

Soundings on the recommendations will now be taken around the country, with a final decision due when the Savings Bank Association and DGZ hold their general meetings on December 14.

The savings banks have also accepted another of the report's suggestions that they should work more closely with other European savings banks to prevent their customers drifting away to Germany's private-sector financial institutions, which tend to be better represented abroad.

However, while acceptance of the report indicates a greater recognition among Germany's savings banks on the need for change, there is still considerable doubt as to whether its findings will be implemented.

Opposition is likely to be voiced by both state government and senior management at many Landesbanken, which will be most affected by the report's conclusions. So far, only two Landesbanken do not have their state government as a large shareholder. Elsewhere, state governments own at least half the shares, and many will be reluctant to give up their stakes, especially as Landesbanken often have an additional function as a channel for regional investment policy.

Meanwhile, senior management at some Landesbanken, notably the two biggest, Westdeutsche Landesbank and Bayerische Landesbank, based in Düsseldorf and Munich respectively, may be distinctly lukewarm about the new proposals.

Both banks have invested heavily in expanding their services and becoming more competitive, and may well be reluctant to see their efforts diluted in a new, probably Frankfurt-based, institution.

ASC chief defuses location row

By Chris Sherwell in Sydney

THE HEAD of the Australian Securities Commission (ASC), the country's new stock market watchdog, has scuttled a dispute between Sydney and Melbourne over the agency's location by deciding to work out of Sydney but ruling out a formal headquarters.

Mr Tony Hartnell, the ASC's chairman, said he had told both the Victorian and New South Wales Governments that the philosophy of decentralisation and the reality of Australian business required a big presence in both cities.

He told a Sydney seminar that the agency needed a structure which allowed its chairman to come from or reside in either Melbourne or Sydney. He intended to have his own office in Sydney, "but I cannot and will not seek to bind my successor."

He said it was: "imperative that the other full-time members of the ASC [a minimum of three persons] be distributed as evenly as possible between Sydney and Melbourne."

His comments mean that he has turned down an offer from the Victorian Government to establish the ASC's headquarters in Melbourne in return for the full facilities of the state's Corporate Affairs Commission.

Under the new system, which is due to come into effect next July, the ASC will replace the existing National Companies and Securities Commission (NCSC) and the state-level Corporate Affairs Commissions.

Four Australian states, including New South Wales, are challenging the plan in the High Court. The states are questioning the federal Government's power to legislate in this area.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 4

US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield

[illegible]

YEN STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield

[illegible]

OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield

[illegible]

DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield

[illegible]

SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield

[illegible]

FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn

[illegible]

CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem

[illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale de Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Fleming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Sanwa International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation; UBS-Phillips & Drew; Wallman Int.; S.G. Warburg Securities; Wood Gundy

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, September 4, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	63 8674	32.2764	43.7706
Albania	(Lek)	9.7912	6.3006	3.1841	4.3180
Algeria	(Dinar)	11.90276	7.6593	3.8707	5.2492
Andorra	(Fr Fr)	10.3700	6.6731	3.3723	4.5733
	(Sp Peseta)	191.90	123.4877	62.4065	84.6306
Angola	(Kwanza)	47.786	30.7503	15.5401	21 0743
Antigua	(E Carr $)	4.19445	2.6990	1.3640	1.8497
Argentina	(Austral)	1014 98	653.1402	330.0747	447.6207
Aruba	(Florin)	2.78077	1.7893	0.9042	1.2263
Australia	(Aus $)	2.0388	1.3119	0.6630	0.8991
Austria	(Schilling)	21.635	13.9221	7.0357	9.5413
Azores	(Port Escudo)	256.80	165.2509	83.5121	113.2524
Bahamas	(Bahama $)	1.5540	1	0.5053	0.6853
Bahrain	(Dinar)	0.5845	0.3761	0.1900	0.2577
Balearic Is	(Sp Peseta)	191.90	123.4877	62.4065	84.6306
Bangladesh	(Taka)	48.40	31.1454	15.7398	21.3450
Barbados	(Barb $)	3.1246	2.0106	1.0161	1.3779
Belgium	(Belg Fr)	64.25c	41.3449	20.8943	28.3351
		64.35g	41.4092	20.9268	28.3792
Belize	(B $)	3.107	1.9993	1.0104	1.3702
Benin	(CFA Fr)	518.5	333.6550	168.6178	228.6659
Bermuda	(Bermudian $)	1.5540	1	0.5053	0.6853
Bhutan	(Ngultrum)	25.60	16.4736	8.3252	11.2899
Bolivia	(Boliviano)	4.2954	2.7640	1.3968	1.8943
Botswana	(Pula)	3.21	2.0656	1.0439	1.4156
Brazil	(Cruzado)	4.3478	2.7978	1.4139	1.9174
British Virgin Is	(US $)	1.5540	1	0.5053	0.6853
Brunei	(Brunei $)	3.0665	1.9732	0.9972	1.3523
Bulgaria	(Lev)	1.4344	0.9230	0.4664	0.6325
Burkino Faso	(CFA Fr)	518.5	333.6550	168.6178	228.6659
Burma	(Kyat)	10.7780	6.9356	3.5050	4.7532
Burundi	(Burundi Fr)	252.7475	162.6431	82.1943	111.4652
Cameroon	(CFA Fr)	518.5	333.6550	168.6178	228.6659
Canada	(Canadian $)	1.8350	1.1808	0.5967	0.8092
Canary Is	(Sp Peseta)	191.90	123.4877	62.4065	84.6306
Cp. Verde Is	(CV Escudo)	119.627	76.9800	38.9030	52.7572
Cayman Is	(CI $)	1.2894	0.8297	0.4193	0.5686
Cent.Afr. Rep	(CFA Fr)	518.5	333.6550	168.6178	228.6659
Chad	(CFA Fr)	518.5	333.6550	168.6178	228.6659
Chile	(Chilean Peso)	413.9255	266 3613	134.6099	182.5470
China	(Renminbi Yuan)	5.8381	3.7568	1.8985	2.5746
Colombia	(Col Peso)	618.19	397.8056	201.0373	272.6306
Comoro Is	(CFA Fr)	518.5	333 6550	168.6178	228.6659
Congo (Brazz)	(CFA Fr)	518.5	333.6550	168.6178	228.6659
Costa Rica	(Colon)	122.9595	79.1245	39.9868	54.2269
Cuba	(Cuban Peso)	1.183	0.7612	0.3847	0.5217
Cyprus	(Cyprus £)	0.791	0.5090	0.2572	0.3488
Czechoslovakia	(Koruna)	24.22c	15.5855	7.8764	10.6813
		15.70l	10.1029	5.1056	6.9239
		15.70t	10.1029	5.1056	6.9239
Denmark	(Danish Kroner)	11.92	7.6705	3.8764	5.2568
Djibouti Rep	(Djib Fr)	274.97	176.9433	89.4211	121.2657
Dominica	(E Carrib $)	4.19445	2.6990	1.3640	1.8497
Dominican Rep	(D Peso)	9.9579	6.4079	3.2383	4.3915
Ecuador	(Sucre)	835.81o	537.8442	271.8081	368.6041
		895.68a	576.3706	291.2780	395.0077
Egypt	(Egyptian £)	3.984	2.5637	1.2956	1.7570
El Salvador	(Colon)	7.775	5.0032	2.5284	3.4288
Equat'l Guinea	(CFA Fr)	518.5	333.6550	168.6178	228.6659
Ethiopia	(Ethiopian Birr)	3.19145	2.0536	1.0378	1.4074
Falkland Is	(Falk £)	1.00	0.6435	0.3252	0.4410
Faroe Is	(Danish Kroner)	11.92	7.6705	3.8764	5.2568
Fiji Is	(Fiji $)	2.3607	1.5191	0.7677	1.0411
Finland	(Markka)	6.9503	4.4725	2.2602	3.0651
France	(Fr)	10.37	6.6731	3.3723	4.5733
Fr. Cty/Africa	(CFA Fr)	518.5	333.6550	168.6178	228.6659
Fr. Guiana	(Local Fr)	10.37	6.6731	3.3723	4.5733
Fr. Pacific Is	(CFP Fr)	187.54	120.6821	60.9886	82.7078
Gabon	(CFA Fr)	518.5	333.6550	168.6178	228.6659
Gambia	(Dalasi)	9.554	6.1480	3.1069	4.2134
Germany East	(Ostmark)	3.075	1.9787	1	1.3561
Germany West	(D Mark)	3.075	1.9787	1	1.3561
Ghana	(Cedi)	431.3170	277.5527	140.2656	190.2169
Gibraltar	(Gib £)	1.00	0.6435	0.3252	0.4410
Greece	(Drachma)	264.40	170.1415	85.9837	116.6041
Greenland	(Danish Krone)	11.92	7 6705	3.8764	5 2568
Grenada	(E Carr $)	4.19445	2.6990	1.3640	1.8497
Guadaloupe	(Local Fr)	10.37	6.6731	3.3723	4.5733
Guam	(US $)	1.5540	1	0.5053	0 6853
Guatemala	(Quetzal)	4.4318	2.8518	1.4412	1.9544
Guinea	(Fr)	466.05	299.9034	151.5609	205.5347
Guinea-Bissau	(Peso)	1009.775	649.7908	328.3821	445.3252
Guyana	(Guyanese $)	46.635	30.0096	15.1658	20.5667
Haiti	(Goude)	7.7675	4.9983	2.5260	3.4255
Honduras	(Lempira)	3.11	2.0012	1.0113	1.3715
Hong Kong	(HK $)	12.1398	7.8119	3.9479	5.3538
Hungary	(Forint)	95.8284	61.6656	31.1637	42.2616
Iceland	(Icelandic Krona)	95.85	61 6795	31.1707	42.2712
India	(Indian Rupee)	25.60	16.4736	8.3252	11.2899
Indonesia	(Rupiah)	2787.485	1793.7483	906.4991	1229.3208
Iran	(Rial)	116.30	74.8391	37.8211	51.2899
Iraq	(Iraqi Dinar)	0.4843	0.3116	0.1574	0.2135
Irish Rep	(Punt)	1.1510	0.7406	0.3743	0.5076
Israel	(Shekel)	3.115	2.0045	1.0130	1.3737
Italy	(Lira)	2202.00	1416.9884	716.0975	971.1135
Ivory Coast	(CFA Fr)	518.5	333.6550	168.6178	228.6659
Jamaica	(Jamaican $)	8.4720	5.4517	2.7551	3.7362
Japan	(Yen)	226.75	145.9137	73.7398	100
Jordan	(Jordanian Dinar)	1.0081	0.6487	0.3278	0.4445
Kampuchea	(Riel)	156.40	100	50.5365	68.5336
Kenya	(Kenya Shilling)	33.30	21.4285	10.8292	14.6857
Kiribati	(Australian $)	2.0388	1.3119	0.6630	0.8991
Korea North	(Won)	1.5069	0.9696	0.4900	0.6645
Korea South	(Won)	1041.72	670.3474	338.7707	459.4134
Kuwait	(Kuwaiti Dinar)	0.46550	0.2995	0.1513	0.2052
Laos	(New Kip)	887.049	570.8166	288.4712	391.2013
Lebanon	(Lebanese £)	838.89	539 8262	272.8097	369.9625
Lesotho	(Maluti)	4.3330	2.7882	1.4091	1.9109
Liberia	(Liberian $)	1.5540	1	0.5053	0.6853
Libya	(Libyan Dinar)	0.4715	0.3034	0.1533	0.2079
Liechenstein	(Swiss Fr)	2.6575	1.7101	0 8642	1.1719
Luxembourg	(Lux Fr)	64.25	41.3449	20.8943	28.3351
Macao	(Pataca)	12.5265	8.0608	4.0736	5.5243
Madeira	(Port Escudo)	256.80	165.2509	83.5121	113.2524
Malagasy Rep	(MG Fr)	2384.75	1534 5881	775.5284	1051.7089
Malawi	(Kwacha)	4.4120	2.8391	1.4347	1.9457
Malaysia	(Ringgit)	4.1958	2 7000	1.3644	1.8504
Maldive Is	(Rufiya)	13.0649	8.4072	4.2487	5.7618
Mali Rep	(CFA Fr)	518.5	333.6550	168.6178	228.6659
Malta	(Maltese £)	0.5620	0.3616	0.1827	0 2478
Martinique	(Local Fr)	10.37	6 6731	3.3723	4.5733
Mauritania	(Ouguiya)	133.756	86.0720	43.4978	58.9883
Mauritius	(Maur Rupee)	24.56	15.8043	7.9869	10.8313
Mexico	(Mexican Peso)	3983.65a	2563.4813	1295.4959	1756.8467
		3897.73d	2508.1917	1267 5544	1718.9547
Miquelon	(Local Fr)	10.37	6.6731	3.3723	4.5733
Monaco	(French Fr)	10 37	6.6731	3.3723	4.5733
Mongolia	(Tugrik)	5.2128	3.3544	1.6952	2.2989
Montserrat	(E Carr $)	4.19445	2.6990	1.3640	1.8497
Morocco	(Dirham)	13.36	8.5971	4.3447	5.8919
Mozambique	(Metical)	1186.24	763.3462	385.7691	523.1488
Namibia	(S A Rand)	4.3330	2.7882	1.4091	1.9109
Nauru Is	(Australian $)	2 0388	1.3119	0 6630	0.8991
Nepal	(Nepalese Rupee)	37.284	23.9922	12.1248	16.4427
Netherlands	(Guilder)	3 465	2.2297	1.1268	1.5281
N'nd Antilles	(A/Guilder)	2.7963	1.7994	0.9093	1.2332
New Zealand	(NZ $)	2.6255	1.6895	0.8538	1.1578
Nicaragua	(Cordoba)	33121.50	21313.7065	10771.2195	14607.0562
Niger Rep	(CFA Fr)	518.5	333 6550	168.6178	228.6659
Nigeria	(Naira)	11.1428	7.1703	3.6236	4.9141
Norway	(Nor. Krone)	11.1775	7.1927	3.6349	4.9294
Oman	(Rial Omani)	0.5969	0.3841	0.1941	0.2632
Pakistan	(Pak. Rupee)	32.00	20.5920	10.4065	14.1124
Panama	(Balboa)	1.5540	1	0.5053	0.6853
Papua New Guinea	(Kina)	1.3547	0.8717	0.4405	0.5974
Paraguay	(Guarani)	1963.96	1263.8095	638.6861	866.1345
Peru	(Inti)	-			
		5667.97	3647.3423	1843.2422	2499.6560
Philippines	(Peso)	32.50	20.9137	10.5691	14.3329
Pitcairn Is	(£ Sterling)	1.00	0.6435	0.3252	0.4410
	(NZ $)	2.6255	1.6895	0.8538	1.1578
Poland	(Zloty)	1726	1110.6821	561.3008	761.1907
Portugal	(Escudo)	256.80	165.2509	83.5121	113 2524
Puerto Rico	(US $)	1.5540	1	0.5053	0.6853
Qatar	(Riyal)	5.6471	3.6339	1.8364	2.4904
Reunion Is. de la	(F/Fr)	10.37	6.6731	3.3723	4.5733
Romania	(Leu)	14.78l	9.5109	4.8065	6.5181
Rwanda	(Fr)	127.706	82.1788	41.5304	56.3201
St Christopher	(E Carr $)	4.19445	2.6990	1.3640	1.8497
St Helena	(£)	1.00	0.6435	0.3252	0.4410
St Lucia	(E Carr $)	4.19445	2.6990	1.3640	1.8497
St Pierre	(French Fr)	10.37	6.6731	3.3723	4.5733
St Vincent	(E Carr $)	4.19445	2.6990	1.3640	1.8497
San Marino	(Italian Lira)	2202.00	1416.9884	716.0975	971.1135
Sao Tome	(Dobra)	167.042	107.4916	54.3226	73.6679
Saudi Arabia	(Riyal)	5.1890	3.3391	1.6874	2.2884
Senegal	(CFA Fr)	518.5	333.6550	168.6178	228.6659
Seychelles	(Rupee)	8.89	5.7207	2.8910	3.9206
Sierra Leone	(Leone)	98.30	63.2561	31.9674	43.3517
Singapore	($)	3.0665	1.9732	0.9972	1.3523
Solomon Is	($)	3.7155	2.3909	1.2082	1.6385
Somali Rep	(Shilling)	636.935	409.8680	207.1333	280.8974
South Africa	(Rand)	4.3330c	2.7882	1.4091	1.9109
		6.2813g	4.0420	2.0426	2 7701
Spain	(Peseta)	191.90	123.4877	62.4065	84.6306
Spanish Ports in N Africa	(Sp Peseta)	191.90	123.4877	62 4065	84 6306
Sri Lanka	(Rupee)	58.50	37.6447	19.0243	25.7993
Sudan Rep	(£)	6.99075	4.4985	2.2733	3.0829
Surinam	(Guilder)	2.77299	1.7843	0.9017	1.2228
Swaziland	(Lilangeni)	4.3330	2.7882	1 4091	1.9109
Sweden	(Krona)	10.36	6.6666	3.3691	4.5689
Switzerland	(Fr)	2.6575	1.7101	0.8642	1.1719
Syria	(£)	32.6235	20.9932	10.6092	14.3874
Taiwan	($)	41.45	26 6731	13.4796	18.2800
Tanzania	(Shilling)	224.30	144.3371	72.9430	98.9195
Thailand	(Baht)	40.00	25.7400	13.0081	17.6405
Togo Rep	(CFA Fr)	518.5	333.6550	168.6178	228.6659
Tonga Is	(Pa Anga)	2.0388	1.3119	0 6630	0.8991
Trinidad/Tobago	($)	6.602375	4.2485	2.1470	2.9117
Tunisia	(Dinar)	1.51255	0.9732	0 4918	0.6670
Turkey	(Lira)	3484.89	2242.5289	1133.2975	1536.8864
Turks & Caicos	(US $)	1.5540	1	0.5053	0.6853
Tuvalu	(Australian $)	2.0388	1.3119	0.6630	0.8991
Uganda	(New Shilling)	310.743	199.9633	101.0546	137 0421
U A E	(Dirham)	5.6978	3.6665	1.8529	2.5128
United Kingdom	(£)	1.00	0.6435	0.3252	0.4410
United States	(US $)	1.5540	1	0.5053	0.6853
Uruguay	(Peso)	1014.63	652.9150	329.9609	447.4663
USSR	(Rouble)	1.0082	0.6487	0.3278	0.4446
Vanuatu	(Vatu)	185	119.0476	60.1626	81.5876
Vatican	(Lira)	2202.00	1416.9884	716.0975	971.1135
Venezuela	(Bolivar)	59.09	38.0244	19.2162	26.0595
		-			
		-			
Vietnam	(Dong)	6990.75	4498.5521	2273.4146	3083.0209
Virgin Is-British	(US $)	1.5540	1	0.5053	0.6853
Virgin Is-US	(US $)	1.5540	1	0.5053	0.6853
Western Samoa	(Taia)	3.64	2.3423	1.1837	1.6052
Yemen	(Rial)	15.12	9.7297	4.9170	6.6681
Yemen PDR	(Dinar)	0.53285	0.3428	0.1732	0.2349
Yugoslavia	(Dinar)	42456.56	27320.8236	13807.0113	18723.9514
Zaire Rep	(Zaire)	652.68	420	212.2536	287.8412
Zambia	(Kwacha)	24.20	15 5727	7.8699	10.6725
Zimbabwe	($)	3.4650	2.2297	1.1268	1.5281

Special Drawing Rights September 1 1989 United Kingdom £1.25965 United States $1.24249 Germany West D Mark 2.44920 Japan Yen180.720 European Currency Unit Rates September 4 1989 United Kingdom £1.48008 United States $1.04974 Germany West D Mark 2.07692 Japan Yen153.263

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential Imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday, September 4, 1989

INTERNATIONAL CAPITAL MARKETS

MCA convertible surprises traders

By Andrew Freeman

INTERNATIONAL BONDS

SALOMON BROTHERS surprised many market participants by launching a $200m convertible Eurobond issue for MCA, the US entertainment company which includes Universal Studios among its interests.

The 10-year deal, callable after five years, carried an indicated coupon of 5¼ per cent and a conversion premium of 17 per cent. Final terms will be fixed on or before Thursday this week. There are so-called poison put options to protect investors against a hostile takeover.

Salomon said the launch had been precipitated when a pre-marketing effort resulted in news of the deal leaking to the wider market. An official said the bonds were trading at around 99½ bid, but added that members of the small syndicate had been asked not to offer the paper below the par issue price.

On an otherwise quiet day as the US market rested for Labor Day, the MCA deal aroused considerable discussion. Syndicate officials said the pricing was extremely tight, a fact partly acknowledged by Salomon, which said the terms were tough to reflect the quality of the paper.

Other houses are understood to have discussed terms with the borrower involving significantly lower conversion premiums, while it is understood there were some declines on price grounds yesterday. An existing convertible for MCA launched in September 1987 by Morgan Stanley was trading at a premium of roughly 12 per cent in the secondary market.

There was much comment on Salomon's decision to use control numbers on the bonds, allowing it to track any sales by syndicate managers at less than the par offer price. Traders said the use of control numbers to enforce discipline betrayed a lack of confidence in the syndicate, but added that the control would probably be effective. The use of control numbers causes settlement problems for some investors because the bonds can only be cleared through Cedel.

However, most comments on the deal focused on the fundamentals of the underlying MCA equity and claimed it was trading on a very high price-earnings ratio after a wave of takeover speculation.

"If that speculation comes to nothing, this convertible will look even more expensive than it does now," said one syndicate official. Salomon conceded that there might be some downside on the stock, but reminded investors that the entertainment sector was high-risk, high-reward.

Elsewhere, in Austria, Oesterreichische Laenderbank launched a Sch1.5bn seven-year deal for the National Bank of Hungary with an 8¼ per cent coupon, the second such deal for a foreign borrower. The first issue, brought by Creditanstalt for the Bank of Foreign Economic Affairs of the USSR, sold well and was trading yesterday at around 100.05 bid.

The Hungary bonds met a good reception, trading at 99.70 bid, comfortably inside fees amid steady demand from investors attracted by the 110 basis point yield pick-up over domestic state issues.

Syndicate officials were divided on the prospects for further issues, with some arguing that a heavy domestic programme will limit opportunities for foreigners, and others suggesting that there may be more issues within a month.

In Switzerland, the SFr100m issue with five-year equity warrants brought late on Friday for Oesterreichische Laenderbank by Handelsbank NatWest improved from less 2 bid to less ¾ bid in late trading.

The recent IADB SFr300m two-tranche issue fell back yesterday, with the 10-year tranche dropping ¼ from Friday's close to less 2¾ bid, while the 15-year deal fell by ⅝ to less 2½ bid.

In London, Mitsubishi Finance was the lead manager of a Y8.5bn one-year swap-driven deal for Okobank.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Sharp Corporation♦	500	(4)	100	1993	2¼/1½	Nomura Int.
MCA Inc.(d)§	200	(5¼)	100	1999	2½/1½	Salomon Brothers
Bandai Co.(c)♦♦	100	3⅝	100	1993	2¼/1½	Daiwa Europe
AUSTRIAN SCHILLINGS						
National Bank of Hungary(a)♦	1.5bn	8¼	100	1996	2.1/1.85	Oest. Laenderbank
SWISS FRANCS						
Viva Home Co.(b)★★§♦	200	¼	100	1994	1⅞	Nomura Bank (Switz)
YEN						
Okobank(e)♦	8.5bn	(e)	100⅞	1990	⅞/½	Mitsubishi Finance Int.

★★Private placement. §Convertible. ♦With equity warrants. ♦Final terms. a) Non-callable. b) Coupon cut by ¼% from indication. Yield to put 3.899% (indication 4.131%). c) Coupon cut by ½% from indication. d) Call at par after 5 years and annually thereafter. e) First coupon 5⅞%, thereafter linked to Nikkei stock index.

Political fears depress Japanese issues

By Katharine Campbell

GOVERNMENT BONDS

CONTINUING political uncertainties, combined with the buoyancy of the dollar, depressed the Japanese government bond market yesterday, and trading was generally subdued. The dollar closed at Y146.13 and dealers were disquieted by comments from the MoF aimed at reassuring the foreign exchanges on the yen.

The December 10-year future closed at 105.31 after 105.55 on Friday. The No.111 JGB was yielding 5.14 per cent, 3 basis points more than last week.

■ With the US closed for the Labor Day holiday, European markets were lethargic, with little new information to feed on. In Germany, dealers were hoping today's announcement of terms for the next bond issue might inject some life into the market.

Prices in the bund cash market ended the day almost unchanged, while the Liffe September contract finished 13 basis points weaker at 94.27.

■ UK gilt-edged securities were marked down about ¼ of a point overnight in response to sterling's wobbliness, but remained almost unchanged from there throughout the day.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	108-12	-3/32	10.99	10.73	10.82
		9.750	1/98	97-01	-11/32	10.28	10.04	10.15
		9.000	10/08	87-08	-4/32	9.32	9.22	9.24
US TREASURY *		9.125	5/99	105-31	+3/32	8.22	8.33	7.99
		8.875	2/19	107-23	+10/32	8.18	8.29	8.04
JAPAN	No 111	4.600	6/98	98.7001	-0.205	5.15	5.07	5.15
	No 2	5.700	3/07	105.8487	-0.099	5.06	5.01	5.06
GERMANY		7.000	2/99	101.0000	+0.200	6.84	6.83	6.67
FRANCE	BTAN	8.000	1/94	97.5722	+0.122	8.67	8.67	8.62
	OAT	8.125	5/99	98.1900	-0.010	8.39	8.43	8.36
CANADA *		10.250	12/98	104.3750	+0.650	9.52	9.62	9.25
NETHERLANDS		7.000	3/99	98.7000	-0.120	7.19	7.13	6.98
AUSTRALIA		12.000	7/99	94.8684	-	12.93	13.10	13.00

London closing, *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Cookson signs £400m financing agreement

By Stephen Fidler, Euromarkets Correspondent

COOKSON GROUP, the UK manufacturer of specialist industrial materials, said yesterday it had signed a £400m financing agreement with a group of 36 international banks, led by Barclays.

The facility, partly to consolidate the company's borrowings, consists of a £250m committed facility, with an interest margin on drawings of 0.15 percentage points, with undisclosed facility fees also payable.

The uncommitted tender-panel line of credit was increased to £400m from £300m, but borrowings under both facilities will not exceed £400m. There is an option to allow the company's US subsidiary same-day funds in the US.

● Manufacturers Hanover has syndicated a £40m, three-year loan for Larchfield Investments, a subsidiary of Minerva Corporation. The loan was fully funded by Manufacturers Hanover in March to finance the purchase of a building in London's Euston Road. Nine banks are participating in the deal.

Net inflow for Italian trusts

ITALIAN UNIT trusts reported a net inflow of L128bn for August, reversing an unbroken two-year sequence of monthly net outflows stretching back to July 1987, Reuters reports.

The mutual fund association said that, as a result, net outflows from Italian unit trusts for the first eight months of 1989 had been cut to L5,440bn from L5,680bn a year earlier.

New subscriptions in August totalled L847bn and with redemptions limited to L718m the net inflow for the month was L128m. In the preceding month redemptions of L1.01bn outstripped new subscriptions of L977m. Share-based funds performed especially well in August, with net inflows rising to L229bn from L194bn in July.

Water groups reveal terms for raising £7.25bn

By Stephen Fidler, Euromarkets Correspondent

THE TERMS on which nine of the 10 UK water authorities are raising £7.25bn in standby credits in the international banking market emerged in full yesterday as invitations to join the financings were sent out to hundreds of banks.

The six-year credits, needed ahead of the November privatisation of the authorities, which became public limited companies on Friday, have already met a good reception from underwriting banks, bankers said.

One loan — the credit for the Northumbrian authority being arranged by Warburgs — has been increased to £400m from £300m and could have been increased further had the borrower desired. One authority, South-West, has sufficient cash for it not to need to line up such a credit.

In spite of suggestions from some bankers that pricing anomalies remained among the deals and that terms on some credits were aggressive, a broad group of banks appears to have been attracted to underwrite the financings. In many of the credits, Japanese banks predominate as underwriters.

Eleven banks, for example, are underwriting the £1.5bn financing for Severn-Trent being arranged by Lloyds Bank. Apart from Lloyds, the other underwriters are Manufacturers Hanover, Bank of Tokyo, CIBC, Deutsche Bank, Midland, Mitsubishi, Société Générale, Sumitomo, Tokai and Union Bank of Switzerland.

A smaller five-bank group has underwritten the other £1.5bn financing for Thames, arranged by Barclays. The clearer has been joined by Dai-Ichi Kangyo, UBS, Mitsubishi and Deutsche.

A summary of the credits, which generally carry front-end fees ranging up to about 10 basis points, follows:

● Thames Water, £1.5bn, arranged by Barclays, carries a 22 basis point margin over London interbank offered rates on any drawings, and a 12 basis point commitment fee.
● Severn Trent, £1.5bn, Lloyds 25 basis points and 10.5 basis points.
● North Western, £1.2bn, National Westminster, 25 basis points and 10.5.
● Anglian, £800m, Barclays, 22.5 basis points for three years and 25 basis points for the remainder, with commitment commissions of 12.5.
● Yorkshire, £600m, Credit Suisse First Boston, 25 basis points and 10.
● Wessex, £450m, Manufacturers Hanover, 22.5 basis point margin and commitment commission stepping up from 7.5 basis points for the first two years, 10 basis points for the next two, and 12.5 basis points for the final two years.
● Welsh, £450m, National Westminster, 25 and 10.5.
● Northumbrian, £400m (increased from £300m), SG Warburg, 25 basis points and 10.
● Southern Water, £350m, Manufacturers Hanover, 20 basis point margin and commitment fee structure as for Wessex.

Toronto SE members lose C$6.6m

By David Owen in Toronto

The 73 member firms of the Toronto Stock Exchange have reported a combined loss of C$6.6m (US$5.58m) for the second quarter in spite of an increasingly buoyant stock market. This follows a small C$5.4m profit in the first three months.

Improved trading levels have been insufficient to offset rising costs for many exchange members. At the end of June, 35 of them were in the red. This has resulted in further redundancies: aggregate mid-year industry employment stood at 23,388, against 24,274 in June 1988. Members' overall losses for 1988 amounted to C$76.2m, versus a hefty profit of C$84.7m in 1987.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday September 4 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Sep 1 Index No.	Thu Aug 31 Index No.	Wed Aug 30 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	1006.19	+0.3	10.68	4.04	11.50	21.20	1003.43	998.15	998.37	761.92
2	Building Materials (29)	1178.14	+0.3	12.70	4.52	9.80	26.97	1174.88	1170.72	1150.28	957.497
3	Contracting, Construction (37)	1565.46	+0.7	15.21	4.64	8.58	34.30	1554.73	1544.57	1538.00	1514.41
4	Electricals (9)	3032.45	----	8.21	3.91	15.16	54.31	3031.44	3004.52	2976.52	2084.69
5	Electronics (31)	2271.49	+0.3	8.53	3.29	15.18	47.99	2265.59	2251.30	2229.33	1662.39
6	*Mechanical Engineering (56)*	556.75	+0.3	9.71	3.98	12.60	10.94	554.88	552.33	547.23	403.54
8	Metals and Metal Forming (6)	531.49	+0.3	19.37	5.65	5.69	14.84	530.05	527.64	528.15	460.89
9	Motors (17)	369.09	+0.5	10.48	4.18	11.25	8.59	367.15	365.07	365.45	265.88
10	Other Industrial Materials (23)	1867.15	----	8.28	3.76	14.41	34.02	1867.76	1858.38	1854.08	1250.90
21	CONSUMER GROUP (184)	1417.92	+1.0	7.69	3.02	16.32	22.58	1404.32	1392.63	1386.34	1036.00
22	Brewers and Distillers (22)	1564.95	+0.8	8.49	3.12	14.73	25.65	1551.86	1536.23	1533.85	1075.42
25	Food Manufacturing (20)	1220.42	+1.1	8.35	3.44	15.01	21.07	1206.83	1204.98	1201.52	938.58
26	Food Retailing (14)	2716.47	+0.4	7.47	2.54	17.70	38.37	2705.68	2689.61	2674.28	1884.23
27	*Health and Household (14)*	2772.31	+1.8	5.30	1.49	22.23	22.32	2722.15	2694.41	2678.23	1797.39
29	Leisure (34)	1816.88	+0.8	7.86	3.11	17.47	32.22	1802.32	1785.82	1775.58	1288.71
31	Packaging & Paper (15)	623.86	+0.6	9.37	3.98	13.47	10.10	619.88	618.97	613.57	505.70
32	Publishing & Printing (19)	3883.87	+0.2	8.22	4.34	15.66	98.37	3876.73	3841.24	3830.39	3333.47
34	Stores (32)	921.71	+0.7	9.36	3.98	13.95	17.64	914.90	904.07	899.04	739.15
35	Textiles (14)	582.76	----	10.25	5.01	11.66	15.40	582.75	578.15	575.46	553.87
40	OTHER GROUPS (93)	1218.93	+0.1	9.58	3.95	12.66	23.23	1217.43	1208.41	1209.75	870.89
41	Agencies (17)	1628.15	+0.5	6.59	2.17	18.75	23.12	1619.48	1610.90	1606.42	1056.88
42	*Chemicals (22)*	1360.85	+0.5	10.92	4.56	10.80	40.83	1354.20	1345.36	1349.47	1032.73
43	Conglomerates (13)	1781.11	+0.7	9.59	4.58	12.27	28.35	1768.59	1757.85	1754.25	1187.19
45	Transport (13)	2440.47	+0.8	8.65	3.71	15.01	42.06	2420.77	2388.14	2413.54	1858.09
47	Telephone Networks (2)	1147.01	-0.1	10.67	4.33	12.21	22.38	1148.05	1142.21	1130.24	921.81
48	Miscellaneous (26)	1955.24	-1.0	8.89	3.26	12.70	29.18	1975.26	1956.47	1980.10	1193.56
49	INDUSTRIAL GROUP (485)	1271.10	+0.5	9.00	3.55	13.71	23.07	1264.16	1254.97	1250.20	931.91
51	Oil & Gas (15)	2206.74	+0.3	9.68	5.06	13.71	73.67	2200.11	2185.94	2177.73	1742.44
59	*500 SHARE INDEX (500)*	1351.10	+0.5	9.09	3.74	13.71	27.20	1344.14	1334.52	1329.45	1080.63
61	FINANCIAL GROUP (122)	824.32	+0.3	-	4.98	-	24.28	821.65	812.88	814.19	668.73
62	Banks (9)	841.38	-0.1	20.53	5.93	6.40	34.80	842.10	832.52	838.41	637.32
65	Insurance (Life) (8)	1256.48	----	-	4.76	-	30.47	1256.43	1240.41	1232.64	1008.69
66	Insurance (Composite) (7)	650.42	----	-	5.76	-	21.91	650.11	641.59	643.32	523.42
67	Insurance (Brokers) (7)	1006.42	+1.8	7.46	6.17	17.89	31.89	988.38	961.71	954.94	957.73
68	Merchant Banks (10)	400.37	+2.1	-	3.96	-	7.37	392.07	387.93	383.61	325.99
69	Property (50)	1394.87	+0.6	6.20	2.85	20.57	19.78	1385.98	1375.92	1376.15	1164.54
70	*Other Financial (31)*	372.31	+0.9	10.71	5.80	12.01	10.48	368.96	367.77	367.89	355.93
71	Investment Trusts (69)	1283.09	+0.3	-	2.62	-	18.62	1279.38	1276.64	1275.18	888.87
81	Mining Finance (1)	742.92	+1.4	8.05	3.45	13.78	15.84	732.66	714.69	710.85	511.95
91	Overseas Traders (8)	1449.62	----	9.60	4.90	11.89	43.67	1450.34	1447.32	1448.70	1145.33
99	ALL-SHARE INDEX (700)	1222.69	+0.5	-	3.90	-	26.23	1216.78	1207.45	1203.97	915.69

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 1	Aug 31	Aug 30	Aug 29	Aug 25	Year ago
FT-SE 100 SHARE INDEX‡	2419.2	+11.7	2424.5	2410.0	2407.5	2387.9	2381.3	2380.8	2397.4	1764.5

FIXED INTEREST

	PRICE INDICES	Mon Sep 4	Day's change %	Fri Sep 1	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	118.09	-0.05	118.16	-	8.16
2	5-15 years	133.28	-0.05	133.42	0.07	9.40
3	Over 15 years	145.35	+0.09	145.22	-	9.15
4	Irredeemables	166.88	+0.02	166.84	-	8.83
5	All stocks	131.14	-0.03	131.23	0.04	9.08
	Index-Linked					
6	5 years	140.79	-0.02	140.82	-	2.26
7	Over 5 years	139.62	-0.05	139.69	-	2.66
8	All stocks	139.59	-0.05	139.65	-	2.61
9	Debentures & Loans	114.85	+0.03	114.91	0.10	6.87
10	Preference	89.34	+0.27	89.49	0.38	3.92

	AVERAGE GROSS REDEMPTION YIELDS		Mon Sep 4	Fri Sep 1	Year ago (approx.)
	British Government				
1	Low	5 years	9.63	9.62	10.12
2	Coupons	15 years	9.24	9.24	9.68
3		25 years	9.16	9.16	9.35
4	Medium	5 years	10.59	10.56	10.46
5	Coupons	15 years	9.66	9.66	9.90
6		25 years	9.28	9.29	9.60
7	High	5 years	10.69	10.66	10.61
8	Coupons	15 years	9.85	9.84	10.04
9		25 years	9.44	9.44	9.59
10	Irredeemables	†	9.20	9.20	10.01
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.91	2.90	3.46
12	Inflation rate 5%	Over 5 yrs.	3.48	3.47	3.91
13	Inflation rate 10%	5 yrs.	2.12	2.11	2.40
14	Inflation rate 10%	Over 5 yrs.	3.31	3.31	3.74
15	Debs &	5 years	12.89	12.94	11.33
16	Loans	15 years	11.60	11.62	11.21
17		25 years	11.14	11.13	11.13
18	Preference	†	10.16	10.19	10.04

‡Opening index 2410.0; 10 am 2417.5; 11 am 2424.1; Noon 2421.4; 1 pm 2420.5; 2 pm 2421.0; 3 pm 2421.6; 3.30 pm 2418.4; 4 pm 2418.3 (a) 11.01am (b) 9.00am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
PREFERENCE CONSTITUENT CHANGES: Carrington Viyella 4.55% and 5.6% preference stocks have been deleted.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	15	73	17
Corporations, Dominion and Foreign Bonds	0	10	33
Industrials	530	247	795
Financial and Properties	286	47	338
Oils	32	15	43
Plantations	3	0	8
Mines	70	21	83
Others	126	23	131
Totals	1,062	436	1,448

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LONDON TRADED OPTIONS

[illegible]

UK COMPANY NEWS

Emess tops £8m in first half with 82% advance

By Clare Pearson

EMESS, the lighting and electrical accessories group, increased pre-tax profits by 82 per cent from £4.5m to £8.2m on turnover up from £39.9m to £67m in the half-year to end-June.

Fully-diluted earnings per share advanced by a more modest 18 per cent to 3.9p (3.3p), while an interim dividend of 1.2p compares with 1p last time.

Commercial lighting acquisitions during the period included JSB Electrical, the emergency lighting company acquired for £25m in March. The company's stake in Brillantleuchten of West Germany was raised from 54 to 77 per cent in April. In July, Eclatec, a French commercial light fittings maker, was bought for £5.3m.

The split of pre-tax profits was about 20 per cent for electricals with the lighting division making up the balance. The company made about 23 per cent of its sales in North America, 9 per cent in the Pacific Basin and 25 per cent in continental Europe. The UK accounted for the rest. Just four years ago, all Emess' businesses were based in the UK.

Within the lighting division, the commercial and emergency lighting companies performed strongly. Emess stressed that in a flat UK market for decorative lighting, its sales were up by 6 per cent. The market for decorative lighting remained strong in the US and West Germany.

Michael Meyer: continued to look for acquisitions

On Tenby, the UK electrical concern, Emess remarked that export orders were likely to prove a substitute if domestic business slowed during the second half. Elsewhere in the world, Singapore was unlikely to maintain profits in a difficult market.

Mr Michael Meyer, chairman, said the acquisition announced in July of a 4.9 per cent stake in Genlyte, a leading lighting company in the US, was "purely a trade investment". But he added that Emess continued to look for acquisitions around the world, and they were likely to be made for cash, he said.

● COMMENT

Even though Emess is at pains to stress its international geographical spread and much diminished involvement in the British consumer lighting market, the shares are still haunted by retail sales and house market-related worries. Assuming the company makes £21.5m-worth of pre-tax profits this year, they now stand on a prospective p/e of about 13.5, which is an extremely low premium to the market by Emess' standards. These results indicated that the company was continuing to perform well: it does, for instance, appear to be winning market share in the depressed UK decorative lighting market, while benefits from restructuring of earlier acquisitions in the US and West Germany are showing through. However, the shares are likely to be dull in the absence of a more optimistic interest rate environment.

Ben-Zur family sells all but 2.2% of PWS

By Clay Harris

THE FAMILY of Mr Ronnie Ben-Zúr, former chief executive of PWS Holdings, has sold all but 2.2 per cent of its 40.4 per cent stake in the Lloyd's insurance broker.

The disposal, ending 13 months of uncertainty, was welcomed yesterday by Mr Malcolm Pearson, who became chairman and chief executive of PWS in September 1988.

"It's been our biggest single trading handicap, and that has now been removed," Mr Pearson said from Monte Carlo, where he is attending the reinsurance industry's autumn conference.

Mr Ben-Zur, chief executive of PWS for two years, resigned abruptly in August 1988 after the extent of losses at Glenn Nyhan & Associates, a Californian insurance broker, had emerged.

PWS took a £4m provision in its profit and loss account against the entire cost of the acquisition.

As a result, PWS's pre-tax profits fell from £7.22m to £1.58m in 1988, although the interim results for 1989 exceeded forecasts at £1.78m.

Opticford, an offshore company controlled by the Ben-Zur family, sold 9.2m shares at just below Friday's market price of 57p. The shares, which peaked at 565p in February 1985, were unchanged yesterday.

Most of the shares, a 29.1 per cent holding, were bought by Jupiter Tarbutt Merlin, the investment management group, on behalf of discretionary clients. Mr John Duffield, JTM chairman, described the purchase as a "totally passive investment" and an "interesting long-term speculation".

Mr Pearson said the other 2.2m shares were sold to Municipal General Insurance and Aitken Hume Bank.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- ADT, ASDA Props, Avonmore Foods, Beattie (James), Brammer, CRH, EW Fact, Eadie, Fairey, Gowrings, Heatair, Home Counties Newspapers, IMI, Isotron, Lopex, Metal Closures, Olives, Pearl, Peek, Pentos, Pickwick, Provident Financial, Robinson Bros, Ropner, Sedgwick, Severfield-Reeve, Systems Reliability, Taylor Woodrow, Tozer Kemsley & Milbourn, WSP, Wyevale Garden Centres.

Finals- Adscene, Coated Electrodes, Intl Colour Management, Peters (Michael).

FUTURE DATES

Interims-	
Bridgend	Sep. 18
British Aerospace	Sep. 13
Brown & Jackson	Sep. 8
Sema	Sep. 13
Spirax Sarco	Sep. 20
Ward White	Sep. 11
Finals-	
Abingworth	Sep. 14
Armstrong Equipment	Sep. 12
Harmony Gold Mining	Sep. 11
Sirdar	Sep. 14
Tor Inv Trust	Sep. 7

NEWS DIGEST

Porvair down but pays 0.9p

THE first half profit decline at Porvair, maker of microporous synthetic materials, was just over 12.5 per cent, from £460,000 to £402,000, but the directors have declared a maiden interim dividend of 0.9p.

They warned of a reduction early last month, and confirmed yesterday that the second half was unlikely to produce the usual bulk of the year's business.

Remedial action had been taken and benefit was expected to flow through in 1990. Despite the temporary setback the directors were confident in the future.

Turnover in the half year fell to £6.31m (£6.73m) and operating profit to £517,000 (£572,000). Earnings were 3.3p (4.8p).

Porvair joined the USM in May 1988. The dividend for that year was 1.8p but would have been 2.7p if the quote had covered the whole year. Profit was £1.35m.

Unidare declines to £1.77m at halfway

A 10-week strike at a subsidiary and a depressed heating market hit Unidare in the first half of 1989, and pre-tax profit fell from I£2m to I£1.77m, or £1.54m sterling.

Turnover of this Dublin-based maker of electrical cables rose 35.5 per cent to £44.88m (£33m) and the directors felt there were encouraging signs for the rest of 1989. Profits should exceed the £5.8m of 1988, they said.

In May, Unidare withdrew from the loss-making transformer business at Finglas and has provided an extraordinary loss of £850,000.

Earnings came to 10.55p (12.52p) and the interim dividend is 3.55p (3.35p).

Caird waste buy for £1.8m

Caird Group, where, since acquisitions in 1988, the principal activity is environmental services, has acquired a further three waste disposal businesses for an aggregate £1.77m.

Catwick Landfill, in Humberside, has been bought for £405,000 cash. In the year to May 1989 it made pre-tax profits of £67,000 on revenues of £290,800. Caird has acquired Rochdale-based Birchinley Waste Management for £500,000, satisfied by the issue of 27,422 ordinary and £350,000 cash. And in Cambridgeshire, the company has bought Bas Skip Hire for £850,000 cash.

Arnotts profit expands midway

Arnotts, the Dublin-based department store operator, lifted pre-tax profits from I£767,000 to I£832,000, or £723,000 sterling, in the six months to July 31. Turnover edged ahead from £21.5m to £21.58m.

Earnings per share rose to 5.2p (4.56p) after tax up £10,000 at £378,000. The interim dividend is maintained at 4.5p.

Though sales from the retail activities inreased by 4 per cent, in the wholesale division they declined and a loss was incurred. The company said it was too early to predict sales trends in the second half.

Ramco trebles to £463,000

Recovery is continuing at Ramco Oil Services, the USM-quoted energy services company, with the announcement of trebled profits in the first half of 1989.

The company made pre-tax profits of £463,000 (£150,000) in the six months to end-June. In the year to December 31 1986 it suffered losses of £1.64m.

Turnover in the latest period was 39 per cent ahead at £2.46m (£1.76m) and earnings almost quadrupled to 2.39p (0.61p).

The company has not paid a dividend since 1986, but Mr Stephen Remp, chairman, said he was "hopeful of positive news during the next financial year".

Murray Income net assets rise

Murray Income Trust increased net asset value from 224.1p to 256.4p per 25p share in the year ended June 30 1989.

Net available revenue climbed from £5.98m to £7.48m for the 12 months. Earnings were 9.04p (7.25p) or 8.94p (7.15p) assuming full conversion of the 'B' ordinary. The final dividend is 4.7p, against a forecast of 4.3p, making a total up from 7.1p to 8.2p – 'B' holders receive a scrip issue of 4.03488 for every 100 held.

In addition, the directors forecast a final of 3.36p for the current year, which with the already foreshadowed 5.64p interim, will produce a 10 per cent rise in 1989-90.

UK COMPANY NEWS

GrandMet in talks about sale of its betting shops

By Lisa Wood

GRAND METROPOLITAN is expected to announce this week that it is selling either all or most of its Mecca and William Hill betting shops to Brent Walker, the drinks, leisure and property company.

Whether or not Brent Walker gets all the 1,500 outlets in the UK, estimated to have a £600m price tag, is still under discussion. It is understood that Mr Bob Greene, the former head of Mecca Bookmakers would like to buy some of them. Overseas shops, on the Continent and in Ireland, are not included in the current negotiations.

GrandMet acquired William Hill nine months ago and has merged it with its Mecca Bookmakers to create Britain's second largest bookmaker. The Monopolies and Mergers Commission recently cleared the deal, although it ordered a few disposals in the London area.

GrandMet's decision to sell its bookmaking interests is the result of a strategy review in which it decided to concentrate on its core food, drink and eyecare business.

It has also been keen to reduce its borrowings – of about £3.5bn – after the acquisition earlier this year of Pillsbury, the US Burger King and food manufacturing group, for $5.7bn (£3.5bn).

The acquisition of the betting shops would make Brent Walker a significant player in British bookmaking at a stroke. Its first move into the market came in January when it bought 119 betting shops in London and the south-east from GrandMet.

Brent Walker is also expected to announce very shortly that it is selling its Whyte & Mackay whisky company and a number of French chateaux, acquired from Lonrho for £180m a year ago.

The company's management is understood to be a likely purchaser of the whisky business and European investors in the chateaux.

Persimmon up 24% to £16.2m

By Our Financial Staff

PERSIMMON, the housebuilder, increased its pre-tax profits by 24 per cent from £13.08m to £16.2m in the six months to June 30. This was despite a sharp fall in the number of houses sold.

The company said that although sales were down from 1,042 to 766, the average selling price rose from £55,000 to £74,000. Its wide regional spread protected it from the worst of the market downturn.

Turnover was slightly ahead at £57.34m (£56.6m), while the interest charge rose from £848,000 to £2.24m. Earnings per share were held back by the effects of last year's rights issue and grew by 11 per cent to 13.6p (12.3p).

The interim dividend is lifted to 2p (1.5p) and the directors indicated their confidence in the company's prospects by forecasting a final dividend of 4.5p (3.5p).

Persimmon said its policy was to sell its homes ahead of construction and added that it had already met its 1989 sales targets. In 1990 it expected to increase its volume of sales to first-time buyers.

Mr Duncan Davidson, chairman, said: "The tight market conditions may continue into 1990. However, with our regional spread, strong land bank, and experienced management team, I am confident that Persimmon is well placed to take advantage of any upturn in the market as soon as this occurs."

● **COMMENT**

Persimmon's profits held up well in the first half of 1989, even though its turnover was virtually static. 1990 may prove more difficult. So far, the company, which sells two-thirds of its houses north of Birmingham, has not suffered from the collapse in the south-east's housing but the slump is expected to spread. However, although profits growth might prove difficult, Persimmon has a strong defensive position. It has a land bank, with planning permission, worth about 4-5 years of sales and it maintains a policy of selling homes ahead of construction. Gearing is low at 27 per cent. Assuming the company makes £32m in the full year, the shares, up 4p at 157p yesterday, are on a prospective p/e of around 6. That looks high enough, given the uncertain prospects for the full year.

MTM operations chief leaves

By Clare Pearson

MR PETER Norton is leaving the board of MTM, the specialty chemicals manufacturer which is engaged in a big shake-up of its management structure.

MTM has said the holding company board will be concentrating on strategic issues, and that it will be devolving responsibility for operations, commercial activities and production to the business area *boards.*

This has the effect of eliminating Mr Norton's present role of group operations director.

Mr Norton is to become chief executive of the European operations of Sasol, the South African state oil company.

His responsibilities at MTM are to be assumed at sub-board level by Mr Ian Edmondson, in *the new position of group production* and engineering manager.

Mr Stuart Wamsley, the independent chemicals industry analyst, recently joined MTM's board as a non-executive director.

MTM, which made pre-tax profits of £6.6m in 1988, embarked upon the reorganisation in the light of a consultants' report last year.

Hole puts £2m in Pearson's pocket

By Andrew Bolger

WOOKEY HOLE, the ancient limestone cave system and tourist attraction under the Mendip Hills in Somerset, is no longer part of Pearson, the publishing, banking and industrial conglomerate which owns the Financial Times.

A mainstay of the Cheddar Gorge trippers' run, Wookey Hole was acquired as part of the deal when Pearson bought Madame Tussaud's in 1978. Yesterday it was sold for more than £2m cash in a management buy-out.

Mr Michael Herbert, chairman and chief executive of the Tussaud's Group, said: "At the moment we are concentrating our efforts on major tourist projects such as the second phase of development at Chessington World of Adventures, and the Rock Circus exhibition that recently opened at the London Pavilion.

"It has been clear for some time that Wookey Hole Caves would function well as a separate unit. We were very pleased to be approached by its management team with a buy-out offer."

Wookey Hole was bought by the Tussaud's Group for £400,000 in 1973. Since then access has been improved and last year 333,000 visitors went to the site, which employs 50 people full-time and another 50 on a seasonal basis.

In addition to the underground caverns, Wookey's attractions include a mill which still produces handmade paper, and an exhibition of wooden fairground animals and carousels from the Victorian era, based on the collection of Lady Bangor.

The old-time entertainment theme is continued with a fairground by night exhibition and an Edwardian pier, where visitors can use old pennies to play the slot machines.

The most direct link with Tussaud's is a Cabinet of Curiosities collection of waxworks, which is modelled on the exhibition with which Madame Tussaud and her son toured Britain in the early 1800s, before they settled in London.

Mr Herbert said the new owners would keep the Tussaud's models until the end of 1989, and then had an option to retain them for 1990.

ASW up 52% amid favourable conditions

By John Thornhill

FAVOURABLE TRADING conditions, improvements in operating efficiency, and increased European sales, helped ASW Holdings, the Welsh steel group, record a 52 per cent profits advance in the six months to June 30.

ASW, formerly Allied Steel and Wire, increased pre-tax profits from £13.2m to £20.1m on turnover ahead by 20 per cent at £235.1m (£195.7m), although the figures for the previous period were made on an adjusted pro forma basis due to the company's flotation in June 1988.

Mr Alan Cox, chief executive, said although the markets *for the company's products* were now flattening, he still expected the company to show satisfactory progress for the year.

Particular emphasis has been placed on expanding sales inEurope and the proportion of ASW's exports to the continent has risen to about 90 per cent. Exports account for just under a quarter of ASW's sales.

The directors declared an interim dividend of 4p, which was 38 per cent higher than that forecast in last year's flotation prospectus. Earnings per share, on a fully-diluted basis, worked out at 15.7p (10.3p).

ASW was formed as a joint *venture between British Steel* and GKN in 1981, as part of the *Government's Phoenix programme* to revitalise the steel industry. GKN no longer has an interest in the company, but BSC retains a 20 per cent holding.

● **COMMENT**

ASW has produced a fine set of figures for the first half, and some encouraging features were particularly noteworthy. Continental European sales were especially buoyant, and overall sales and profitability were healthily ahead. Furthermore, despite a large capital investment programme, which resulted in greater supply costs, margins advanced from 7.5 per cent to 9 per cent. There was a degree of caution yesterday about the future state of business and the weakness of construction markets, but ASW should still have enough impetus to see it through the slacker times. With virtually no net debt, ASW is also well positioned to kick its business forward either by means of internally-generated expansion or acquisitions. Pre-tax profits of £41m should be achievable in the full year, giving a prospective multiple of over 7. But that seems rather low given ASW's past performance and present propsects, and oddly out of kilter with many of those in the building materials sector with which ASW can perhaps be most usefully compared.

Broadcast Comms shares rise 40p on news of merger talks

By John Ridding

BROADCAST COMMUNICATIONS, one of the UK's largest independent television producers, said yesterday it was in talks with another company which could lead to a merger.

Broadcast, which makes Channel Four's Business Daily programme and which will supply the television pictures from the House of Commons, is traded on the Third Market. After a sharp rise in the share price yesterday, *from 308p to* 348p, the company is capitalised at about £10.8m.

Mr Michael Braham, chairman, declined to name the other party. However he said that the discussions were friendly and that he expected "the matter to be resolved in days rather than weeks".

Possible candidates include the Guardian and Manchester Evening News, the holding company which publishes The Guardian, and which currently holds a 14 per cent in Broadcast following a £1m cash injection at the end of last year.

Analysts said that another possibility was Trilion, the USM-quoted television facilities and production company which holds 9.5 per cent of the shares.

However, Mr Ian Reed, Trilion's chairman, denied that the company had been holding discussions and said he was "slightly surprised" by the announcement.

Mr Braham said that a merger would assist Broadcast in its plans for expansion. He said: "We are relatively small by public company standards and have made no secret of the fact that we want to be bigger. This would reduce the impact of overheads and provide resources for investment in more productions."

For a merger partner, Broadcast would provide an attractive investment in the rapidly growing market for independent television productions. The Government *has* proposed that both the BBC and ITV networks commission 25 per cent of their programmes from independents, and the proliferation of programming resulting from satellite broadcasting provides an additional source of demand.

In the year to June 30 1988, Broadcast reported pre-tax profits of £338,000 on sales of £4.7m. In the previous year the comparable figures were £14,000 and £500,000.

Tilbury posts critique of Lilley's results

By Philip Coggan

Tilbury, the construction group facing a £120m bid from Lilley, yesterday sent shareholders a critique of the latter's interim results and profits forecast, announced last week.

The statement pointed out that *Lilley's earnings* per share growth was below Tilbury's, and criticised both the lack of a divisional analysis and a dividend forecast.

Lilley is expected to announce an increased bid within the next day or so.

Wolstenholme to sell Omnicrom for £2.39m

By Clare Pearson

Wolstenholme Rink, the lithographic materials company, is selling its subsidiary Omnicrom Systems to Esselte Letraset, the graphic art products subsidiary of the Swedish office automation and supplies group, for about £2.39m cash.

Omnicrom was founded by Wolstenholme in 1985 to exploit a new system for transferring colours on to the black image areas of photocopies *and laser prints. Last year, it* made its first operating profit, of £129,000.

As a result of the sale, Wolstenholme's bank borrowings will be reduced by £4m, or virtually halved.

TIP Europe £10m acquisition

By Kevin Brown, Transport Correspondent

TIP EUROPE yesterday announced the acquisition of Key Leasing, a Cheshire-based lessor and vendor of trailers and commercial vehicles, in an "earn out" deal valued at up to £10m.

The acquisition will add 1,850 trailers to TIP's fleet of 18,100, keeping the company just ahead of Tiphook, its major rival in the growing European market.

*Both companies are also con*sidering the purchase of Trailerent, the third biggest European rental company, which has a fleet of 4,500 trailers.

However, the £40m price tag placed on Trailerent by Barclays Bank is regarded by most industry observers as too high.

Mr Jim Cleary, TIP chairman, said the acquisition of Key Leasing would help the company expand into the long term leasing market, which was growing 40 per cent annually in some parts of Europe.

Key Leasing also controls 800 commercial vehicles, and runs a used truck sales operation which will complement TIP's *trailer sales division,* Mr Cleary said.

TIP is paying an initial £5m *in cash and shares for* Key Leasing, plus up to £5m depending on profits performance over the next two years.

Vendors are the three main managers of Key Leasing. They have entered three year service contracts and agreed to retain their TIP shares for at least two years.

TIP said Key Leasing would operate as an independent unit within the group for three years, offering specialised services in the UK and European markets.

Key Leasing made pre-tax profits of £697,000 in the year to February 28, on sales of £6.3m.

TIP reported a 35 per cent increase in pre-tax profits to £5.1m for the six months to January 31.

Analysts are forecasting full year pre-tax profits of around £12.5m.

Psion leaps to £1.6m

Psion, USM-quoted computer *and software company,* lifted sales 76 per cent to £14.2m and pre-tax profit by 57 per cent to £1.63m in the first half of 1989, with an initial contribution from Dacom Systems.

Earnings per *share* were 5.25p (3.74p) and there is an interim dividend of 1p.

Sutcliffe expands water treatment side

By Clay Harris

SUTCLIFFE Speakman, the activated carbon and chemicals manufacturer, is expanding its *water treatment operations* through the purchase of Caird & Rayner-Bravac, a leading supplier of desalination equipment.

Sutcliffe is paying £1.4m in cash for C&R-B, whose equipment is used on submarines and other naval vessels and on offshore oil rigs.

About 60 per cent of its sales are made to military customers.

The Watford-based company, which was founded in 1989, made trading profits of £260,000 on turnover of £3.4m in the year to March 31.

The acquisition comes almost exactly a year after Sutcliffe paid £3.38m for the water screening and filtration division of Hawker Siddeley.

Alan Cooper rises 33%

ALAN COOPER, maker of systems office furniture, raised its pre-tax profit by 33 per cent, from £1.32m to £1.75m, in the six months ended June 30 1989.

It was achieved on turnover ahead 28 per cent to £6.54m (£5.12m). Earnings worked through at 10.93p (8.24p) and the interim dividend is 2.8p (2.1p).

Mr James Blyth Currie, chairman, said the strategy for growth remained based on the introduction of new products that provided access to emerging fast-growing segments of the market.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Arnotts	int	4.5♣	-	4.5	-	12
ASW Holdings	int	4	Nov 4	-	-	5
Bowater	int	8.5	-	7	-	15.25
Cooper (Alan)	int	2.8	Oct 20	2.1	-	6.8
Emess	int	1.2	Nov 23	0.971*	-	2.857*
Halls Homes §	int	2	-	2	-	6
Lilleshall	int	1.25	Dec 1	0.667*	-	2.333*
Linread	int	1.8	-	1.5	-	4.75
Murray Income	fin	4.7	-	4.6	8.2‡	7.1
Persimmon	int	2	Oct 23	1.5	-	5
Porvair §	int	0.9	-	-	-	1.8
Psion §	int	1	-	-	-	1.2
Tech Project	int	2.2	Nov 2	1.6	-	5
Unidare	int	3.55♣	-	3.35	-	12.7
Wilkes (James)	int	4.25	Nov 1	3.5	-	7.75

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ♣Irish currency throughout. ‡Total of 9p forecast for current year.

Lilleshall rises

Lilleshall lifted profits 69 per cent in the six months to July 1 to £1.1m pre-tax against £648,000. Turnover advanced to £15.77m (£10.06m). Tax took £345,000 (£196,000), leaving earnings at 6.8p (4.3p). The interim is 1.25p (0.667p).

UK COMPANY NEWS

Siebe paying £7.5m cash for German tube maker

By Andrew Bolger

SIEBE, the controls, engineering and safety equipment group, is buying Metallwarenfabrik Schelklingen (Mefa), a metal tube manufacturer, for £7.5m cash.

Mefa designs and makes rigid metal tube assemblies, which are used for automotive power brake and power steering assemblies and in machine tools. The West German Federal Cartel Office has cleared the deal.

Siebe has made the purchase via Deutsche Tecalemit, its wholly-owned subsidiary which is a major supplier of flexible polyamid tubing in Germany. Polyamid tubing is synthetic and has replaced rubber in many automotive and industrial applications.

Mr Barrie Stephens, Siebe's chief executive, said Mefa's expertise in rigid tubing complemented Tecalemit's knowledge of flexible tubing and filled a crucial gap in the group's international armoury. The experience of both groups would be used to help Siebe to attack the US market for automotive components.

He said Mefa, which made sales this year of DM50m (£16.3m) and employs 340 people in Ulm, Baden-Wu"rttemberg, would be expanded greatly.

Siebe has attracted criticism for issuing a flurry of paper to fund acquisitions over the past two years. Mr Stephens said that while the group was always on the lookout for "niche" acquisitions for cash, this deal did not mean that Siebe was back on the acquisitions trail.

Mr Stephens repeated an assurance that Siebe did not expect to ask shareholders for funds in the current year.

Phoenix sells Rainham site for £5.75m

By John Thornhill

PHOENIX Timber Group, the Essex-based timber products and building care services company, has completed the sale of its wharf, and an adjoining 17 acre site at Rainham, for £5.75m.

The wharf had been operating at a loss for some time because of declining volumes and pressure from Soviet timber exporters to reduce landing charges.

The proceeds of the sale will be used to reduce group borrowings, which currently stand at about £14.3m, representing a gearing level of just under 50 per cent.

SHARE STAKES

Changes in company share stakes announced recently include:

Anglesey Mining: Imperial Metals Corporation Group has sold 500,000 ordinary (2.1 per cent), reducing holding to 45.7 per cent. IMC Group has stated that it has no present intention of disposing of any further Anglesey shares.

Associated Farmers: Brit-N is now beneficial owner of 207,500 ordinary (10.2 per cent), held as to Brit-N 197,500 and NDS Brown 10,000.

Boustead: HTP Holdings has acquired 950,000 ordinary, increasing holding to 15.15m ordinary (23.2 per cent).

Chemoxy International: F&C Enterprise Trust has disposed of 50,000 ordinary (1.68 per cent) and now holds 186,000 (6.26 per cent).

Clarke Nickolls & Coombs: Channel Hotels and Properties and Lloyds Bank (in its capacity as nominee) are interested in 2.07m ordinary (10 per cent).

Kelt Energy: Dr A Marwan and funds under his management are beneficial owners of 3.3m 6 per cent convertible cumulative redeemable preference shares (10.16 per cent).

Kemp (PE) Holdings: Mr Luke Johnson has been appointed a director. Mr Johnson is a shareholder in Northwind, which together with Stancroft Securities and Mr Nicholas Berry, is interested in 1.08m ordinary (23.91 per cent).

Laird Group: Mr Alan H. Miller, director, has acquired 15,000 ordinary to lift holding to 40,000 (0.05 per cent).

London Cremation Co.: The Cremation Society of Great Britain acquired 2,000 10 per cent convertible preference shares at £1.04 each, taking its holding to 51,799 (31.9 per cent).

New Zealand Investment Trust: Co-operative Insurance Society has acquired 100,000 ordinary (1 per cent) at 111p per share making total holding 565,250 (5.65 per cent).

Pacer Systems: Mr John C Rennie, chairman and chief executive, has sold 30,000 shares – 20,000 at $1.45 each on August 29 and 10,000 at $1.375 each on August 30 – reducing his holding to 920,000 (17.48 per cent).

PWS Holdings: Opticford is to sell 9.2m ordinary (38.2 per cent) to a small number of institutional investors.

Seacon Holdings: Mr Paul Preisig acquired 10,000 ordinary at 149p per share on August 9, and a further 10,000 at 150p each on August 22, making his holding 387,500 (5.7 per cent).

Vickers: IEP Securities, wholly-owned subsidiary of Industrial Equity (Pacific) is now beneficial owner of 29.75m ordinary (11.5 per cent).

Wardell Roberts: Mr Kenneth J Peare disposed of 10,000 ordinary at I£1.30 on August 23, and a further 125,000 ordinary at I£1.20 following day, reducing his holding to 500,720 (3.1 per cent).

Vickers: IEP Securities, wholly-owned subsidiary of Industrial Equity (Pacific), is beneficial owner of 29.75 ordinary (11.5 per cent).

Young Group: IEP Securities is now beneficial owner of 1.13m ordinary (12.09 per cent).

Halls Homes halved at six months to £0.7m

HIGH UK interest rates were blamed for halving the first-half profits at Halls Homes & Gardens, the USM-quoted designer, maker and distributor of conservatories, garden buildings and home improvement products.

In the six months to June 30, they fell from £1.54m to £707,000 pre-tax, while turnover slipped from £16.44m to £15.18m.

The company said that the first half had been extremely difficult in the consumer products market, resulting in a reduction of demand.

Interest charges also contributed to the downturn, rising to £393,000 (£184,000). With tax halved at £247,000 (£538,000), earnings worked through at 4.4p (9.5p).

The interim dividend has been maintained at 2p.

The company said that the export and traditional conservatory divisions had performed well, with the latter benefiting from increased commercial orders from the leisure sector.

Significant steps had been taken to reduce costs, including the reorganisation of production facilities, so that a major part of the freehold at Paddock Wood, Kent, can be vacated.

Lucas buys three fluid power distributors for £7.35m

By Richard Tomkins, Midlands Correspondent

LUCAS Industries, the aerospace, automotive and industrial group, has bought three three fluid power distribution businesses to add to its industrial division - one of them in Britain and the other two in West Germany.

The British business is Krug Power and Control UK, a fluid power distributor with sales of £5.6m. Lucas has acquired it for £5m.

The West German businesses are Luftfarht-Technik and Ferdinand Mang Hydraulik. Together they have sales of DM14m (£4.56m), and Lucas is buying them for a total of DM7.2m (£2.35m).

Lucas already claims to be the world's largest independent distributor of fluid power products. It says these acquisitions are aimed at giving it growth rates and market share similar to those already won in the US.

Lucas Industrial is also disposing of its loss-making Bradley business in order to concentrate on fluid power distribution and electronic measurement and control.

Bradley's defence-related microwave product range has been sold to Continental Microwave of Luton for £647,000. The sale of the remaining activities under negotiation.

Aerospace margins help Linread rise to £1.56m

By Richard Tomkins, Midlands Correspondent

LINREAD, the Birmingham-based industrial fasteners group, has continued last year's sharp rise in profits with a 27 per cent increase from £1.23m to £1.56m pre-tax in the six months to July 1.

Earnings per share were ahead 26 per cent at 8.43p (6.68p) and the interim dividend is raised to 1.8p (1.5p).

Sales rose by 9 per cent to £20.35m and profits were further boosted by an increase of 1.1 percentage points in the pre-tax margin, taking it to 7.6 per cent.

Mr Mike Hughes, chief executive, said the margin rose because sales to the aerospace industry, where margins were higher, had grown at 16 per cent while sales to the automotive industry had grown at 6 per cent.

There had also been a further improvement in the commercial products division, only recently brought into profit.

About 34 per cent of Linread's output now goes to the aerospace industry and 49 per cent to the automotive sector.

Mr Hughes said orders were still buoyant but he sounded a note of caution over the possible effects of an economic slowdown on automotive sales.

Technology Project up 50% to £786,000

Technology Project Services, the engineering staff agency, reported pre-tax profits of £786,000 for the six months to June 25, up 50 per cent from £522,000 last time.

Turnover grew by 37 per cent to £6.64m (4.84m), tax took £280,000 (£184,000) and the interim dividend of 2.2p (1.6p) came from earnings of 10.5p (7p).

The company said the improvements been been achieved through organic growth with a firm corporate commitment to continued geographical expansion and broadening of the client base.

Jas Wilkes profits surge to £2m

PROFITS growth from £425,000 to £2m is reported by James Wilkes for the first half of 1989.

However, so much had happened since a year ago that the 85 per cent advance in earnings per share would be a better guide to the group's performance, suggested the chairman Mr Stephen Hinchcliffe.

The group was now organised into the two principal divisions of engineered products and publicity and promotional products. Most companies continued to trade ahead of budget, he stated.

Sine June 1988 the group had purchased Waterlomat SA, the Peter Stubs Group, Knightway Air Charter, and Avon Transmission Services, and sold Cumbria Land Reclamation, Stubs Welding and the trading property bought from James Neill at the time of the Stubs acquisition.

It also purchased a strategic holding in James Neill; although there is a carrying cost of this stake, the directors firmly believe it will continue to be a sound investment.

Earnings in the half year came to 14.8p (8p) and the interim dividend is lifted to 4.25p (3.5p).

GRANVILLE
SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
341	295	Ass. Brit. Ind. Ordinary	340	0	10.3	3.0	9.2
38	28	Armitage and Rhodes	30	0	-	-	-
47	25	BBB Design Group (USM)	40	0	2.1	5.1	9.8
210	149	Bardon Group (SE)	197	0	4.3	2.2	19.1
125	105	Bardon Group Cv. Pref. (SE)	125	0	6.7	5.4	-
123	91	Bray Technologies	91	-2	5.9	6.5	8.1
110	105	Bremhill Conv. Pref	105	0	11.0	10.5	-
104	100	Bremhill 8¼% New C.C.R.P	104	0	11.0	10.6	-
305	285	CCL Group Ordinary	290	0	14.7	5.1	3.6
176	168	CCL Group 11% Conv.Pref	171	0	14.7	8.6	-
220	140	Carbo Plc (SE)	220	0	7.6	3.5	12.9
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5	3.125	Magnet GP Non-Voting A Cnv*	3.5	0	-	-	-
5	1.125	Magnet GP Non-Voting B Cnv*	1.5	0	-	-	-
130	119	Isis Group	128	0	8.0	6.3	7.3
145	58	Jackson Group (SE)	117	0	3.6	3.0	13.6
322	261	Multihouse NV (AmstSE)	290	-5	-	-	-
155	98	Robert Jenkins	156xd	0	10.0	6.5	5.6
467	403	Scrutons	465sus	0	18.7	4.0	12.4
290	270	Torday & Carlisle	290	+1	9.3	3.2	10.1
117	100	Torday & Carlisle Cnv Pref	109	0	10.7	9.8	-
122	92	Trevian Holdings (USM)	105sus	0	2.7	2.6	11.3
134	106	Unistrut Europe Conv Pref	134xd	0	9.3	6.9	-
395	355	Veterinary Drug Co. Ltd	385	0	22.0	5.7	9.4
370	327	W.S Yeates	335	0	16.2	4.8	27.9

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UK COMPANY NEWS

Simply a question of bending the rules

David Waller on the practices employed by stores to massage their reported profits

THE STORES sector has underperformed the stock market by 37 per cent since the beginning of 1985. There are sound industrial reasons for this – not *least a profits performance* grossly impaired by massive overcapacity and competition – but one important factor in the derating process is a concern over the quality of the accounts produced by retailers.

The accountancy profession has stood helplessly on the sidelines as companies – often assisted by ingenious merchant bankers – have taken full advantage of every accounting ambiguity to massage their reported profits. Rarely are laws broken or accounting standards flaunted – it is simply a question of bending the rules.

Perhaps the area of greatest concern is acquisition accounting, an issue of enormous complexity on which the Accounting Standards Committee – the standards-setting body for UK companies – is deliberating at the moment.

Other grey areas include: the *capitalisation of interest*, the distinction between "extraordinary" and "exceptional" costs and the treatment of property profits and off-balance sheet finance.

The industry has reached a point – in terms of its maturity and competitiveness – where companies have been forced to increase their capital expenditure enormously

None of these issues is specific to the stores sector. For example, one of the reasons for the lowly rating of FKI Babcock, the electricals and power group in the process of demerging itself, was investors' concerns over acquisition accounting. And the Midland Bank embarrassed itself in 1987 with a *volte-face* over the treatment of provisions for Third World debt – extraordinary at the half-year stage, exceptional at the end of the year. But pressures on retailers have made them unusually prone to adopt such practices.

"The industry has reached a point – in terms of its maturity and competitiveness – where companies have been forced to increase their capital expenditure enormously," explains Mr John Richards, stores analyst at County NatWest WoodMac.

"Retailers have found themselves forced to spend money at an unprecedented rate simply to differentiate themselves from their rivals. The pressures for change have been enormous.

"*It is a feather in the cap of a* young finance director if he can come up with a clever idea of how to mitigate the financial pain of all this activity. Once upon a time, *his* job might have been to hold the purse strings, to discourage unnecessary expenditure.

Now the finance director is a facilitator: the board decides what to do and he finds a way of doing it with minimum impact on earnings per share."

One of the most obvious ways of avoiding earnings dilution is to take the costs associated with an acquisition through the balance sheet rather than the profit and loss account, as is permitted under the rules governing acquisition accounting.

Take a simple example: company A spends £100m buying company B, which has assets of £30m. The difference between the two figures is goodwill of £70m. Under a process called "fair value accounting", the whizz-kid finance director sets up a £5m provision to cover the costs likely to be incurred in the aftermath of the acquisition. The £30m net asset value falls to £25m while goodwill goes up to £75m. The goodwill is written off against reserves; the £5m provision sits on the Company A's balance sheet.

In the year after the acquisition, costs are charged against the provision rather than against the P&L. Earnings per share are boistered, the takeover vindicated and another one lined up. Meanwhile, the stock market remains in the dark about precisely what costs were provided for: did they cover redundancy costs arising as a direct result of the acquisition or refurbishment costs which would have been necessary – in the increasingly competitive retail world – whether the acquisition had gone ahead or not.

(The fair value process also allows for the adjustment of asset values. This is very much open to abuse in the stores sector, given the importance of stock to a retail business. A small adjustment to the stock figure could have a significant effect on reported profits.)

The music stopped after *Black Monday* when shares were no longer acceptable currency in the mergers and acquisitions market. Without the insulation against costs *afforded by acquisition* accounting, many companies reported falls in profit too sharp to be explained by mere deterioration in trading conditions.

Under company law, the provision should be separately identified as such in Company A's accounts even it is hidden under a caption such as trade creditors. Similarly, releases from the provision to the profit and loss account have to be *disclosed if they are material* – that is, big enough to matter.

Now the finance director is a facilitator: the board decides what to do and he finds a way of doing it with the minimum impact on earnings per share

There would not have been so much disquiet among investors and analysts if the rules that did exist were more scrupulously followed. Last month, the auditors to the Budgens supermarkets group publicly acknowledged that the accounts for 1986 and 1987 had failed to disclose a £9m provision arising when the company – then known as Barker & Dobson – bought Budgens from Booker in 1986. Surely, many people in the City feel, this was not an isolated example.

Better disclosure requirement would have helped: it was only in July of this year that the Accounting Standards Committee came out with a ruling requiring companies to disclose the make-up of the provisions and to detail the amount of goodwill arising on an acquisition. Also required are details of adjustments – made under the fair value process – to the assets and liabilities of the company acquired.

Other ways for the finance director to beef up profits range from raising finance off balance sheet to treating refurbishment *costs as extraordinary rather* than exceptional so that they do not impinge on earnings per share.

"The sector has only recently discovered design," observed Mr Richards. "Competitive pressures mean that new formats have to be introduced every three or four years rather than every decade or so. In other words, costly refits are a fact of business life and it seems unjustifiable to say that they are in any way out of the ordinary and treat them as extraordinary or even exceptional."

He pointed to one company – once the darling of the stock market and now something of an investment pariah – which delighted the City by making very fast returns on new formats. "It was no coincidence," he said, "that all these projects were started in the last month of a financial year. The start-up costs – and more besides – fell into one accounting period while all the revenues fell straight through to the P&L in the next."

Mr John Smith, an analyst at UBS Phillips & Drew, objects to the way in which some companies juggle the profits arising from property sales. "The market is sophisticated enough to discount straight property sales," he said. "But development profits are given a better rating as though they are of better quality. Often all that happens is that the building is transferred to the development division and given a lick of paint before being sold off as a development."

Accounting ambiguities are clearly not the only reason behind the stores sector's lousy performance. But they clearly helped stimulate an atmosphere of uncertainty and mistrust among investors and a steady deterioration in the perceived quality of the earnings emanating from the retailers.

What seems to be required is (a) more disclosure and (b) tougher enforcement of what rules there are. With its rules on goodwill disclosure the ASC has moved – albeit rather belatedly – towards the former. A general tightening of the standards setting process was set in motion by the the proposals made by the Dearing committee last autumn.

Unfortunately, the introduction of the new regime – which envisages a Financial *Reporting Council independent* of the accounting profession – is being held up by squabbles between the Government, the profession, the Stock Exchange and companies over who exactly should pay for such a luxury.

Brierley has 7.5% stake in Hogg

IEP Securities, the UK investment vehicle of Sir Ron Brierley, the New Zealand businessman, yesterday disclosed a 7.54 per cent holding in Hogg Robinson, the travel, transport and financial services group.

The company has been buying the shares for the past five months. It was forced to disclose the holding when it moved above 5 per cent through the recent purchase of a block of shares representing about 2 per cent of the capital.

Hogg Robinson shares rose 4p to 155p yesterday, following the announcement of the IEP holding, capitalising it at £106.8m.

Ewart shares fall as talks end

By Andrew Bolger

Shares in Ewart, a property developer based in Belfast, fell 13p to 123p after it announced that talks about a possible offer have ended. The price jumped 22p to 142p a fortnight ago on news of the approach.

*It came from two individu*als who were mainly interested in the value of the company's stock market listing and the development value of its cold storage operation in Kent.

This business, based on a 17-acre freehold site at Sevenoaks, was bought for £6m in May 1988.

Lowndes sales improvement

Mr James Gulliver, chairman of Lowndes Queensway, had encouraging words on trading at the retailer's extraordinary general meeting yesterday.

He said cooler weather had led to an improvement in sales in recent weeks, and a national sale of furniture and carpets had got off to a good start.

Mr Gulliver also said that 28 refurbished Carpetland stores were showing trading gains. The meeting approved the £18.5m rights issue, which was announced last month as part of a refinancing package. Lowndes shares closed ¾p higher at 29p.

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Type of Security	Previously in issue. No.	Issued by way of capitalisation/ bonus issue. No.	Total in issue post capitalisation/ bonus issue. No.
Ordinary shares of 25p each	30,800,000	15,400,000	46,200,000
5 per cent. Cumulative Preference stock	500,000	Nil	500,000
Warrants	Nil	9,240,000	9,240,000

Following the approval by shareholders at an Extraordinary General Meeting, held on 1st September, 1989, of a change in the investment policy of the Company, an increase in the authorised share capital, a capitalisation issue of Ordinary shares and a bonus issue of Warrants, details of the issued share capital of the Company and the number of Warrants outstanding are as set out above.

The Council of The Stock Exchange has admitted the shares issued by way of capitalisation and the Warrants to the Official List.

Copies of the Extel cards containing particulars of the Ordinary shares and the Warrants are available in the Extel Statistical Services and copies of the Circular issued by the Company to shareholders on 16th August, 1989, may be obtained during normal business hours on any weekday until 7th September, 1989 from the Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD and up to and including 19th September, 1989 from:

TR Australia Investment Trust PLC
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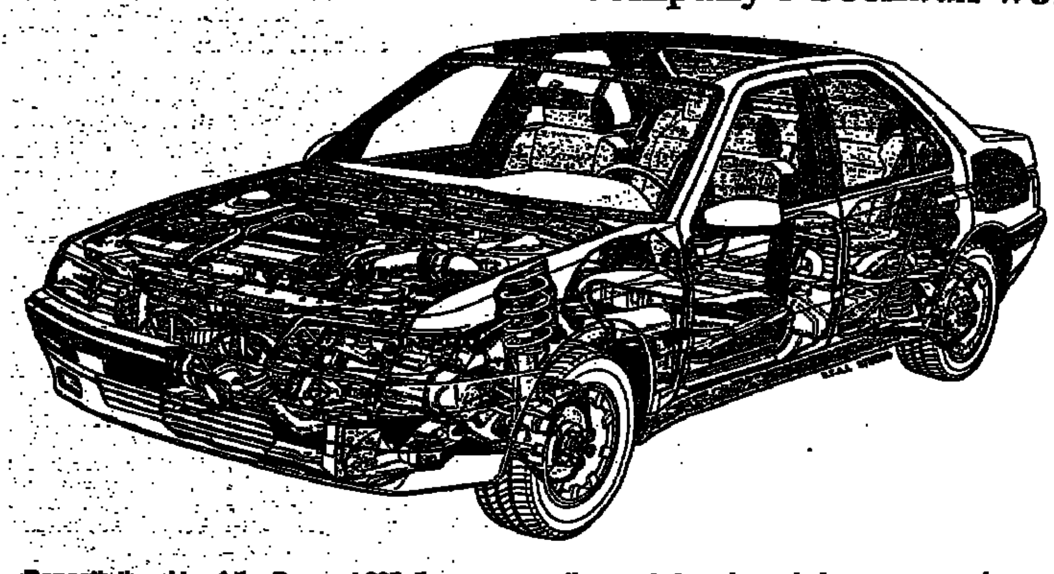
London EC2P 2ES

5th September, 1989

TECHNOLOGY

On the day that Peugeot brings its new 605 saloons into production, **John Griffiths** assesses the drive towards automation at the company's Sochaux works

From screen to road à grande vitesse



Beneath the skin of the Peugeot 605: the new executive car is largely made from component "modules" produced away from the main assembly line

The French Peugeot group might not have moved heaven, but it has shifted a huge amount of earth and even a river to bring into production its new 605 range of executive saloons announced today.

The car itself forms an important ingredient of Peugeot's ambitions to capture leadership of the West European motor industry.

But it is at least matched in importance by the FFr 9bn (£870m) investment in the plant that is producing it at Sochaux, near Basle. When it is completed, in 1994, the programme is intended to take France's single largest industrial site both into the 21st century and on to a new plateau for the group in terms of manufacturing technology and methods of working.

The aim, like similar investments made by Fiat at its showcase plant at Cassino in southern Italy and by Volkswagen at its Emden facility on the north-eastern tip of West Germany, is designed to provide Peugeot with the quality, flexibility and productivity needed to be competitive in the 1990s, particularly against the onslaught expected from Japanese manufacturers when their European transplants – notably those of Toyota, Nissan and Honda in the UK – are fully on stream from the middle of the decade.

By some, admittedly rough, yardsticks, the Sochaux 2000 programme will still leave the plant looking relatively unproductive, even in comparison with those of Emden and, in particular, Cassino.

For even when it reaches full production of 1,850 cars (of various types) a day – around 400,000 a year which is similar to Cassino – it will employ a total of 23,000 people, compared with 7,000 at Cassino.

Jean-Louis Silvant, director of production for Automobiles Peugeot, is quick to point out that there are significant differences between the French and Italian plants – not least a foundry and other engine and driveline component manufacturing, whereas Cassino imports all its running gear from other Fiat plants.

Silvant acknowledges that this still leaves 18,000 at Sochaux involved in broadly comparable processes to Cassino. Yet even then such comparisons remain potentially misleading because, for example, the 605, particularly in its more luxurious forms, is a much more complex, and hence more labour intensive, car to build than the comparatively simple Tipo hatchbacks and the soon-to-be-launched Type 3 model.

Peugeot executives place rather more stress on other benefits arising, and yet to arise, from the investment programme at Sochaux. These include processes of pressing and assembling a variety of car bodies, of differing sizes and at random, on the same robotised lines, without retooling.

The Sochaux facilities of this type differ from Emden or Cassino only in detail, not in concept. But what Peugeot officials value them for is the contribution they should make to cutting the lead times needed to bring new models into production.

What Peugeot and other European manufacturers are finding so daunting about the Japanese challenge is the sheer pace of introduction and the diversity of new models. Toyota, for example, expects to launch in the UK at least five "new from the ground up" models next year, according to Alan Marsh, chief executive of Toyota (GB).

Silvant says that he expects the Sochaux facilities to help Peugeot to take new models from computer screen to production line in three years, rather than the current four. That is still behind the leading Japanese makers who, he estimates, are capable of producing a new range in 2½ years.

But even the Japanese producers are starting to wonder whether this is becoming too much of a good thing. Honda, for one, is aware of the problems of consumer and dealer resentment over models becoming obsolete too quickly and excessive parts inventories, as happened when the Japanese motorcycle makers threw too many new bikes at the market in the early 1980s in an ultimately unsuccessful bid to prop up falling markets.

At Sochaux, Peugeot appears to have raised "just-in-time" (JIT) inventory concepts rather higher up the league table of priorities than Fiat or Volkswagen as a means of reducing its costs burden.

Indeed, according to Peugeot executives, the JIT concept is the guiding principle in the overall reorganisation of the Sochaux facility, which currently produces the company's highly successful 405 as well as the new 605.

The ground floors of both the fully automated lacquer plant and the final assembly lines include extensive areas for trucks to unload parts and materials, which are fed directly to the relevant point on the assembly line in specially designed containers.

As is common practice with JIT, there is no inspection of parts by Peugeot. Instead, it has 105 suppliers for the 605, for example, which operate under what Peugeot calls its Supplier Quality Assurance scheme, and on which the company depends to maintain pre-agreed quality criteria in exchange for secure, long-term contracts.

Of these, 59 will be required to deliver their components to the plant between four and 11 times a day, depending on the nature of the components. "Many are setting up workshops or bridgeheads close to us – maybe some 10 to 15 kilometres from Sochaux," says Silvant. The economics of this are helped, for some of the suppliers, by the presence – also only a few kilometres away – of Peugeot's Mulhouse plant, where French production of less expensive models, such as the 205 hatchback, is centred.

These arrangements still do not mean that Sochaux keeps only enough parts for an hour or two's production, as is the case with some plants in Japan. But they do mean that Peugeot has been able to cut its overall inventory level to between four and five days, compared with 20 days 10 years ago, says Silvant.

As a result, the expensive-to-fill pipeline between receipt of order and the finished car has been shortened to 15 days from 24. Silvant says that eight days is an achievable goal.

Some FFr 5bn have already been spent on the Sochaux programme – a sum which included moving the river Allan in order to add 11.6 hectares to the 264-hectare site. Among the facilities are:

● A new foundry, which uses the "lost form" process for what Peugeot claims is the first time on an industrial scale. A replica of the part to be cast is made of gasifiable polystyrene, which disappears during the casting process. It is said to reduce the cost of components by between 10 and 40 per cent.

● A revamped press shop, in which 166 fully flexible presses are each capable of producing 17 different parts at a rate of 15 per minute, and a robotised, fully automated axle-machining and assembly centre.

● A 362 m long, 1,850 cars-per-day paint plant, which will be capable of operating automatically on a 24-hour day basis. It includes a 30,000 sq m "clean room" with virtually dust-free air and 280 programmable logic controllers operated by 43 consoles and three computers.

Installation of the new facilities is going hand-in-glove with extensive training programmes which, Peugeot says, are as integral to the improvement of quality and productivity as any of the plant and equipment. Some 600,000 hours of training is going on each year, representing 3.5 per cent of the total wage bill.

One installation, however, is more "bio-tech" than "high-tech". The equipment which gives the car bodies an anti-static wipe before they enter the lacquer plant consists of rotating drums of emu feathers.

An emu farm, however, is not on the list of JIT suppliers.

Comeback for the returnable bottle

FIZZY drink manufacturers are close to re-introducing the returnable bottle.

But whereas, in the good old days, the bottle with the tuppence refund was made of glass, GE Plastics has developed one made of plastic. According to the company, existing production chains for washing, sterilising and refilling bottles will need little modification to accommodate the new plastic ones.

The bottles are made from polycarbonates, the sort of heat-resistant plastics already used for babies' bottles. But the problem with using plastic bottles is that they allow gases to pass through – loss of carbon dioxide leaves a fizzy drink flat.

GE has combatted the problem by sandwiching a layer of specialised nylon between two layers of polycarbonates to act as a barrier to the carbon dioxide. The company, which is still conducting tests, believes that the bottles could be re-used about 40 times.

The lightweight bottles – complete with "green" appeal – should be available towards the end of next year.

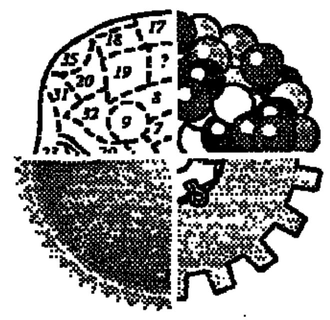
Converting gas on the spot

NEW TECHNOLOGY for converting natural gas to petrochemical products is to have its first large-scale application in a $660m (£410m) plant which Shell is to build at Bintulu in Malaysia, writes Clive Cookson.

At the heart of the Shell Middle Distillate Synthesis plant is a catalyst which can produce a wide range of hydrocarbons, from light paraffins to petroleum fuels and heavy waxes.

The catalyst, developed at Shell's Amsterdam laboratories, converts 90 per cent of natural gas to useful products – a much higher yield than previous conversion processes. But the company refuses to discuss its chemical details.

Shell sees its Middle Distillate Synthesis technology as an important development for countries such as Malaysia, which have large gas reserves far from markets. It can convert these into valuable and easily transportable liquid hydrocarbons.



WORTH WATCHING

Edited by Della Bradshaw

A way to foil the heat

AS WINTER approaches, many northern Europeans will be considering insulating their lofts to keep out the cold. In warmer climes people face the problem of how to prevent hot air getting in through the roof.

One solution is to install a radiant barrier on the inside of the roof. Lamotite, of Cleveland Ohio, has developed one which looks like kitchen foil and is a layer of tough polyester sandwiched between two thin sheets of aluminium foil. The materials are glued together with fire retardant adhesives and reinforced with woven glass fibre so that the material will not tear when it is stapled to the roof.

Already on sale in southern states of the US and some parts of Africa, countries in steamy southern Europe are also likely targets for the material.

Hot tips on freeze drying

FREEZE drying is used to preserve more than just coffee. It is also one of the main ways of giving biochemicals, such as peptides and enzymes, a longer shelf-life.

Although it has been used by the biochemicals industry for some years, freeze-drying – which turns the water in substances into ice so that it can be easily removed – is still rather haphazard.

To try to prolong the efficacy of bio-chemicals, Pafra, of Basildon in the UK, has set up a service to advise biochemicals companies on how to improve the process for each type of biomolecule.

The company can either recommend the best freeze-drying production method for a particular formulation, using information held on its database, or it can carry out an evaluation at the company's site.

A streamlined overhaul system

THE TECHNICAL paperwork needed to maintain a fleet of airliners is monumental, and much of it is pictorial – wiring diagrams or sketches of components.

With public concern focused on the maintenance of ageing aeroplanes, airline companies are turning to computers to record the text and pictures.

All Nippon Airways (ANA) of Japan has taken the plunge with a package from BH Publication Systems, of the US. The first stage of the computerisation programme – which will store and process the information – will be installed next week.

With the ANA system, the sequence of tasks to be performed at each check-up is fed into a Hitachi mainframe, along with documents and diagrams of the aircraft's components. When the overhaul is due, the computer prints out the appropriate documentation – diagrams included.

ANA estimates that the time taken to get together the computerised documentation is about one hour for each overhaul, compared with more than a day when using sets of paper manuals.

Electronic mail from mid-ocean

IT WILL certainly take more than 80 days for this year's yachting participants in the Whitbread Round the World Race to reach the finish.

For those eager to find out how they are faring, Telecom Gold has set up a service to deliver the latest information.

Each yacht transmits data on its position via satellite to a computer centre in Portsmouth, where it is interpreted to calculate the average speed of the yacht and the distance left to travel.

Yacht-loving subscribers gain access to the service by telephone line, using a PC and a modem.

CONTACTS. GE Plastics: Holland, 1640 32491. Shell International, London 934 4488. Lamotite: US, 216 883 8484. Pafra: UK, 0268 280606. ANA: Japan, 3 272 1212. BH Publication Systems: US, 216 264 9060. Telecom Gold: UK, 0442 237338.

COMMODITIES AND AGRICULTURE

LME stocks rise bursts zinc price bubble

By Kenneth Gooding, Mining Correspondent

ZINC PRICES fell on the London Metal Exchange yesterday after the LME revealed that its stocks of the metal had risen to the highest levels for five years.

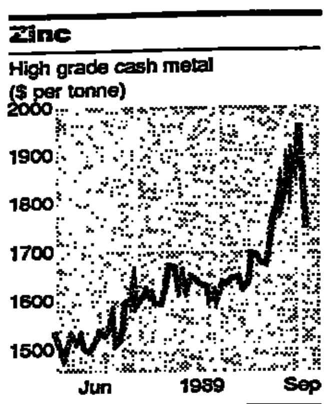
Analysts suggested that a great deal of metal bought for security reasons before the recent national miners strike in Peru – which produces 11.5 per cent of the non-communist world's zinc supplies – had quickly found its way to LME warehouses after that strike had crumbled last week.

The price of zinc was also buoyant because of the Peruvian threat and a technical squeeze in nearby delivery dates on the LME. "Holders of zinc metal decided that with such a splendid price on offer, the opportunity to offload stock to the terminal market was ideal," said Mr Nick Moore, metals analyst with Ord Minnett, the securities house.

LME zinc stocks were up by 6,675 tonnes last week to 58,275 tonnes, the highest level since July, 1984. Stocks of the metal rose 108 per cent during the month of August alone.

The LME price of Special High Grade zinc for immediate delivery fell by $165 a tonne from Friday's level to close at $1,780. Three-months metal slipped by $25 a tonne to $1,655.

Mr Moore said he remained bullish about zinc's prospects this year because there would be a deficit in supply compared with demand.



That should hold the zinc price at an average of 77 cents a lb ($1,697 a tonne) for 1989 as a whole against an average of 56 cents last year.

Slowing economic growth and extra supplies of zinc, partly attracted by high prices and partly from the new Red Dog mine in Alaska, would create a 100,000 surplus next year, Mr Moore predicted. This would take the average price for 1990 down to 55 cents – still relatively satisfactory for zinc producers who for some years had to make do with 32 cents to 35 cents a lb for their product.

Australian uranium sold at discount

By Chris Sherwell in Sydney

THE AUSTRALIAN Government has approved uranium export contracts at a price of US$26 a lb of uranium oxide, $5 below its official floor price, following a review of its pricing policy.

The Cabinet decision paves the way for a possible increase in Australian uranium exports at lower prices. The country's producers – limited to three by government restrictions – have recently been losing out on sales in the glutted world market, where the spot price has dipped to $10 per lb.

An announcement yesterday by Mr John Kerin, Minister for Primary Industries and Energy, said the settlements which had been approved were between Energy Resources of Australia and overseas customers who were also shareholders of the company.

ERA is 68 per cent-owned by the North Broken Hill Peko resources group, and operates the Ranger uranium mine in the Northern Territory. The settlements were with two utilities, the Kansai Electric Power Company of Japan and OKG of Sweden, and cover shipments to be made in 1990 and 1991.

Explaining the decision, Mr Kerin pointed out that the contracts were not new, saying the settlements "represent re-negotiation of pricing arrangements mid-way through long-term contracts." He said $26 was "appropriate for these contracts" in light of the uranium market and the standing of the buyers as shareholders.

But while he insisted that the floor price requirements in all other existing contracts remained unchanged, he went on to state that, on new contracts, the floor would be set at a level "which reflected the national interest in particular circumstances and market conditions in which the contracts are negotiated."

Prices, he stated, would have to be comparable with those being received by others in the market. "As with other minerals to which export controls apply, the Government's concern is to ensure that Australia receives fair and reasonable prices for the export of these community resources," he said.

The decision on the floor price had been taken, he added, because of the renegotiation of settlements covering some 40 per cent of Australia's current exports of uranium.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes		
Aluminium	−11,900	to 85,825
Copper	+2,250	to 82,875
Lead	−575	to 27,275
Nickel	+558	to 2,820
Zinc	+6,675	to 58,275
Tin	+885	to 3,450

Difficult questions after an easy harvest

Crop estimation is an inexact science, but getting it right is more important than ever

FARMER'S VIEWPOINT

By David Richardson

FIVE GENERATIONS of my farming family, to my certain knowledge, have made the same comment each year on the day they finished harvest. "Anybody who hasn't got it done by now deserves to lose it."

Quite apart from the "I'm alright Jack" aspect, it is a reflection on the perennial battle to bring in the grain against the normally fickle British climate. And the harvest month of August is usually more fickle than most.

But not this year. We were rehearsing our little ritual on August 22 this year and many of our neighbours had completed before us. It was the earliest harvest I could remember and the almost continual fine weather made it one of the easiest.

In a normal season, whatever that is, we would expect to be harvesting until at least September 7. I can personally recall only three other occasions when the job has been completed on this farm before the end of August. They were in 1947, 1959 and 1976.

Moreover, with very few exceptions where the work has been delayed for some reason, the English harvest is now complete. The same is true of southern Scotland although farther north many farmers have 20 to 30 per cent of their acreage still to do.

This is the area of Britain where most rain has fallen over the last couple of weeks stopping combine harvesters for long periods. In the south, meanwhile, where the job was already done and soils were rock hard, farmers would have welcomed a few downpours.

In any event the national sport of estimating the total outturn of the harvest has begun. It is not a new sport – it has gone on for years with merchants allegedly pitching their figures high in order to talk down prices and farmers more modest in their public expectations for the opposite reasons. (It is different in the pub where they only talk about their best yields).

This year's harvest is a particularly difficult one to estimate. On the one hand many spring-sown crops of barley and wheat have been disastrous; on the other some autumn-sown crops, particularly of wheat, have broken records.

It is, however, more important than ever, in these days of co-responsibility levies and EC stabilising adjustments for commodities deemed to be in surplus, that the ultimate official estimate is accurate. The level of Community support price and/or future deductions for over-production depend on it.

Last week for instance the EC Commission announced its estimate of this year's Community oilseed rape crop. The total was put at 4.9m tonnes, 100,000 tonnes higher than had previously been estimated and 8 per cent above the 4.5m tonnes maximum guarantee limit. On the face of it this should trigger a cut in institutional price of 4 per cent. But because the tonnage produced this year was significantly less than last year's 5.2m tonnes the ex-farm price, when intervention buying begins in November, will in fact rise £7 per tonne to about £277 in the UK.

Peas and beans grown for animal feed protein are also subject to similar calculations. The EC maximum guaranteed quantity of a combination of these crops is 3.5m tonnes. This year the Commission has estimated that across the Community 4.06m tonnes has been produced which leads to a nominal price cut of 9 per cent. But because production this year was lower than last the subsidy will in fact be increased marginally giving UK growers an extra 1.5 per cent to £162 per tonne.

Complicated isn't it?

But although all the crops mentioned above are gathered through combine harvesters by far the most important is of course cereals.

The Council of Agriculture Ministers is not scheduled to announce its estimate of those crops until the 25th and 26th of this month but merchants and farmers across the Community are making suggestions in the hope of influencing the official figure.

In the UK unofficial estimates for the wheat harvest range from 14m tonnes to 16m tonnes; for barley from 6m to 7m tonnes; and for oats from 550,000 to 750,000 tonnes. An arbitrary mean of all the estimates made so far puts the total figure at about 22m tonnes and I would not expect that to be far wrong.

But the estimated size of the total Community crop is what decides the size of the net co-responsibility levy on this year's production and whether or not there is a further cut in intervention price for next year.

For instance, if this year's total EC cereal harvest is less than 164.8m tonnes growers will receive a proportionate refund on co-responsibility levy already paid on account of grain sold from this harvest. At the same time however if the total harvest is thought to exceed 160m tonnes next year's intervention price will be reduced by 3 per cent.

Current estimates from European sources appear to range from as low as 158m tonnes up to 161m tonnes. The figures are therefore delicately poised and the Council of Ministers estimate at the end of the month may have to be more political than statistical.

Frankly the whole system is a nonsense. Estimating the size of crops is, to say the least, an inexact science and to say the worst a lottery. Farmers and merchants are forced to trade in the new crop before knowing what the politicians will decide and the delay and the complication are totally unsatisfactory for both sides – and that is quite apart from general antipathy to the co-responsibility system which cuts returns to growers without passing on the benefits to end users and is therefore antagonistic to market forces.

The various systems of setting prices are scheduled for review along with the whole principle of stabilisers before 1992. I am not alone in hoping they eventually adopt a fairer, more predictable and stable method, such as, for instance, basing calculations on a three-year rolling average.

Meanwhile next year's crops are already being planted. Over the last few days tens of thousands of acres of oil seed rape has been sown.

According to best economic advice the last few days of August and the first few days of September are the optimum time to plant.

Abu Dhabi claims Australian sheep died in quarantine

By Hunter Reynolds in Abu Dhabi

AUSTRALIA'S CLAIMS that its exports of sheep have been unfairly rejected by the health authorities of Saudi Arabia and the United Arab Emirates took a severe knock yesterday when it was announced that 5,360 sheep had died over the weekend while in quarantine in Abu Dhabi.

A statement issued by the Abu Dhabi municipal authority did not reveal what exactly killed the sheep, which were part of a consignment of 17,000 which had earlier been rejected by local inspectors as unfit for human consumption. They were due to be re-exported from the UAE later this week.

The Bahrain-based head of the Australian Meat and Livestock Corporation, Mr John Wotton, said then that no official reason had been given for the rejection, although local inspectors were reported to have found evidence of Maltese Fever.

Yesterday Mr Wotton, said that he had not been officially informed of the subsequent deaths and refused to comment on the possible implication for the continuing trade row between Australia and Saudia Arabia and the UAE.

On Saturday, the authorities in Abu Dhabi announced a major tightening up of health regulations for the import of livestock. From now on all live animals will be tested by health inspectors before they are allowed to be off-loaded from incoming vessels.

Australia exports about 6m sheep a year to Gulf countries, worth over A$200m (£97m). Saudia Arabia is the biggest market, accounting for over 3.5m sheep a year.

● Chris Sherwell writes from Sydney: Two ships were unloading Australian sheep at Saudi ports yesterday, despite Canberra's ban on the trade because of the dispute with Riyadh over veterinary checks, Australian officials said.

An official at the Minister for Primary Industries and Energy reported that one ship was unloading 63,000 sheep at Dammam in the Gulf, the other was discharging 18,000 sheep at Jeddah on the Red Sea.

He added that a third ship, carrying more than 100,000 sheep, was due in the region soon. All three cargoes were en route for the Middle East when the ban was imposed.

The ban arose out of the Saudi authorities' rejection of a five different shipments of some 294,000 sheep because of suspected blue tongue disease and sheep pox. Australia doubted the veracity of the tests, complained over a lack of access for its vets and said most of the sheep were given a clean bill of health at other Gulf ports.

Two Australian veterinarians despatched to Saudi Arabia to help establish acceptable testing procedures have meanwhile returned after failing to see the relevant Saudi officials. The Saudi Agriculture Minister, the key political figure involved in the dispute, is said to be on holiday.

India sees opportunity in coffee free-for-all

COFFEE GROWERS and government officials believe India must take advantage of the suspension of world export quotas to boost coffee sales abroad, report Reuter from Coonoor.

"A free market is a boon for India not a curse," Mr M.R. Sivaraman, a senior Commerce Ministry official, told a United Planters Association of Southern India conference.

Indian exports had been constrained by quotas but following their suspension in July it was time for traders to become more competitive, he said.

Quotas were suspended after importing and exporting members of the International Coffee Organisation failed to reach agreement on a new accord.

They decided to extend the current pact without export quotas for two years to September 1991. Quotas were used to support world prices by limiting supply.

"The next two years are crucial and India needs to export up to 150,000 tonnes of coffee annually before the new system comes into force," Mr Sivaraman said.

"The free market for the next two years has to be viewed as an opportunity for India to dispose of the otherwise undisposable surplus under a quota system," said Mr G.Y. Krishnan, chairman of the Coffee Board.

However, Mr Anil Bhandari, vice chairman of the Karnataka Planters' Association, said prices had slumped by about 40 per cent since quotas were suspended in July. "We are worried mainly about falling prices in free market conditions where coffee producers will be competing with each other," he said.

The Coffee Board is urging increased exports to the Soviet Union where India has a trade accord allowing for payment in rupees.

India will have an exportable surplus of 178,000 tonnes from a bumper crop of 217,900 tonnes in 1988-89 (October-September) and carryover stocks of 36,000 tonnes.

Indian coffee growers recently forecast a big drop in the 1898-90 crop to 140,000 tonnes.

Sucden rumour sends cocoa market lower

By David Blackwell

COCOA PRICES fell sharply yesterday morning on the London Futures and Options Exchange (Fox), where trading was stopped for 15 minutes when the December contract breached the £40 a tonne limit.

The losses followed a wave of selling triggered by market rumours that Sucre et Denrées, the French trade house which has close links with the Ivory Coast, would take delivery in October and November of 100,000 tonnes of Ivorian cocoa which it bought earlier this year. Sucden refused to comment.

However, during the afternoon prices recovered some of the losses, and the December contract closed at £821 a tonne, a fall of £24 on the day.

Analysts said the sudden fall had taken the market by surprise. One suggested that Sucden might have arranged with the Ivory Coast to sell some of the 200,000 tonnes of Ivorian cocoa the company has in store and replace it from later deliveries.

The fall was also fuelled by news that Cameroun, the sixth biggest cocoa producer, had almost halved the price it pays famers for cocoa. Earlier this year the Ivory Coast, the biggest producer, cut prices sharply.

● London Fox said yesterday that volumes for its traded options rose to a record 23,151 lots in August, an increase of 46 per cent over the previous record set in July.

Mr John Brackley, chairman of the Traded Options Market, said the exchange was very pleased with the substantial increase in options volumes over the past few months, which showed increasing commitment form market members.

Total futures and options volume for the exchange was 386,197 lots last month, compared with 363,659 lots last year.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices firmed yesterday, and the second position robusta contract closed at £815 a tonne - the first time it has closed over £800 since July 21. Dealers said the trend mostly reflected currency factors and chart considerations, with physicals quiet and no fresh fundamental news emerging. There was an undercurrent of mild optimism over the upcoming ICO talks. On the LME copper prices eased in quiet trading in the absence of trading on Comex. But dealers said that underlying sentiment remained bullish, with a long list of mine problems. Chile's Salvador copper mine is still on strike and there are continuing problems at Highland Valley in Canada, Cananea in Mexico and Bougainville in Papua New Guinea, they noted. Aluminium prices were steady after a fall of 11,900 tonnes in LME warehouse stocks.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.50-5.60w	+.075
Brent Blend	$17.40-7.45	+0.10
W.T.I. (1 pm est)		
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$199-201	
Gas Oil	$163-164	+1
Heavy Fuel Oil	$83-85	+0.5
Naphtha	$155-157	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$359.0	
Silver (per troy oz)♣	508c	+1
Platinum (per troy oz)	$472.1	+0.85
Palladium (per troy oz)	$133.35	-0.15
Aluminium (free market)	$1800	+5
Copper (US Producer)	137⅝-141c	+3
Lead (US Producer)	40.5c	
Nickel (free market)	565c	-5
Tin (Kuala Lumpur market)	22.97r	+0.42
Tin (New York)	404c	
Zinc (US Prime Western)	83¼c	-½
Cattle (live weight)†	117.94p	+0.65
Sheep (dead weight)†	150.72p	-1.32
Pigs (live weight)†	98.13p	+4.77
London daily sugar (raw)	$333.0v	
London daily sugar (white)	$487.0v	+1.0
Tate and Lyle export price	£329.0	+1.5
Barley (English feed)	£105.5	-1.13
Maize (US No. 3 yellow)	£125	-3
Wheat (US Dark Northern)	£126.5t	
Rubber (spot)♥	58.25p	-0.25
Rubber (Oct)♥	61.25p	-0.25
Rubber (Nov)♥	62.00p	-0.25
Rubber (KL RSS No 1 Sep)	237.0m	-1.0
Coconut oil (Philippines)§	$490v	
Palm Oil (Malaysian)§	$322.5	-2.5
Copra (Philippines)§	$300	
Soyabeans (US)	£173	-1
Cotton "A" index	81.3c	-1.2
Wooltops (64s Super)	593p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Aug/Sep. v-Sep/Oct. w-Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Sep	762	786	784 734
Dec	821	845	830 802
Mar	785	813	788 780
May	790	820	797 789
Jul	804	835	813 804
Sep	820	850	826 819
Dec	844	876	855 844

Turnover: 8403 (3775) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 1 965.25 (979.67) :10 day average for Sep 4 954.33 (957.90)

COFFEE – London FOX			£/tonne
	Close	Previous	High/Low
Sep	798	780	799 790
Nov	815	795	818 800
Jan	824	801	825 815
Mar	845	818	842 829
May	856	836	855 840
Jul	878	850	881 870
Sep	900	870	886

Turnover: 3741 (3088) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 1 : Comp. daily 71.67 (71.36). 15 day average 68.70 (68.36)

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Oct	295.60	296.40	296.40 294.60
Dec	289.00	288.80	287.00
Mar	281.40	281.80	281.80 280.00
May	277.00	277.00	276.60 276.00
Aug	273.00	272.00	270.00
Oct	264.60	265.00	265.00
White	Close	Previous	High/Low
Oct	422.00	422.00	423.00 420.00
Dec	386.50	385.50	387.00 384.50
Mar	354.00	353.50	355.00 351.50
May	350.50	350.00	351.00

Turnover: Raw 563 (1678)lots of 50 tonnes. White 790 (1282).
Paris- White (FFr per tonne): Oct 2630, Dec 2585, Mar 2380, May 2360, Aug 2349, Oct 2325.

CRUDE OIL – IPE			$/barrel
	Close	Previous	High/Low
Oct	17.36	17.20	17.35 17.22
Nov	17.26	17.13	17.27 17.11
Dec	17.15	16.95	17.15 17.10
IPE Index	17.18	17.24	

Turnover: 3346 (6101)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Sep	160.75	159.25	160.75 159.50
Oct	159.00	157.50	159.00 157.25
Nov	158.00	157.25	158.25 157.50
Dec	158.25	156.75	158.25 157.00
Jan	155.75	155.50	155.75
Feb	153.50	152.25	153.75 153.50
May	145.00	144.25	145.00

Turnover 2122 (5757)lots of 100 tonnes

TEA
There were 16,114 packages on offer at this weeks auction, including 4,000 in the offshore section, reports the Tea Brokers' Association. An improved and more active demand prevailed. Bright liquoring east African teas and good mediums were dearer, particularly Pekoe dusts. Other descriptions generally remained firm while plainest sorts sold at improved levels. Central Africans were also well supported at dearer rates. In the offshore auction there was good demand for teas from several origins and prices tended dearer. Quotations: quality 195p (185p), medium 124p (124p), low medium 100p (98p).

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 18,525 tonne
Cash	1795-800	1810-5	1800	1799-801		
3 months	1780-4	1795-800	1806/1765	1785-90	1760-70	31,568 lots
Copper, Grade A (£ per tonne)						Ring turnover 17,050 tonne
Cash	1900-2	1934-6	1908/1907	1906-7		
3 months	1870-1	1902-3	1878/1866	1875-6	1865-6	73,528 lots
Lead (£ per tonne)						Ring turnover 7,550 tonne
Cash	464-6	472-5	467	467-8		
3 months	457-8	464-5	468.5/456	458-7	456-7	11,033 lots
Nickel ($ per tonne)						Ring turnover 1,008 tonne
Cash	12200-50	12350-450	12400/12200	12275-300		
3 months	11950-2000	12000-50	12050/11900	12050-100	11975-2000	5,051 lots
Tin ($ per tonne)						Ring turnover 1,990 tonne
Cash	8600-20	8650-700	8580	8590-600		
3 months	8660-70	8700-50	8680/8620	8630-80	8360-70	5,686 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 12,675 tonne
Cash	1770-90	1940-50	1810/1805	1800-5		
3 months	1650-60	1680-5	1665/1640	1655-60	1640-5	11,966 lots
Zinc ($ per tonne)						Ring turnover 4,350 tonne
Cash	1730-60	1950-60	1784/1780	1780-4		
3 months	1610-20	1630-40	1610	1605-15	1590-600	6,124 lots

LME Closing £/$ rate:
SPOT: 1.5530 | 3 months: 1.5402 | 6 months: 1.5142 | 9 months: 1.5002

POTATOES – BFE			£/tonne
	Close	Previous	High/Low
Nov	138.0	140.0	139.0 138.0
Feb	165.0	165.0	
Apr	209.0	216.9	215.0 208.0
May	234.0	242.0	236.0 233.0

Turnover 392 (142) lots of 40 tonnes.

SOYABEAN MEAL – BFE			£/tonne
	Close	Previous	High/Low
Dec	142.00	143.00	142.00

Turnover 34 (94)lots of 20 tonnes.

FREIGHT FUTURES – BFE			$10/index point
	Close	Previous	High/Low
Sep	1478	1466	
Oct	1554	1535	1554 1541
Jan	1592	1570	1592 1572
Apr	1618	1608	1619 1608
BFI	1428	1426	

Turnover 80 (229)

GRAINS – BFE			£/tonne
Wheat	Close	Previous	High/Low
Sep	104.85	105.20	104.90 104.80
Nov	108.10	108.70	108.40 108.10
Jan	111.85	112.45	112.15 111.85
Mar	114.75	115.20	114.75 114.65
May	117.55	118.00	117.75 117.70
Jun	119.30	119.70	119.45
Barley	Close	Previous	High/Low
Sep	101.60	101.75	
Nov	105.15	105.65	105.35 105.15
Jan	108.95	109.20	108.80
Mar	111.75	112.05	
May	114.00	114.15	114.00 113.95

Turnover: Wheat 182 (140), Barley 22 (57).
Turnover lots of 100 tonnes.

PIGS – BFE			(Cash Settlement) p/kg
	Close	Previous	High/Low
Oct	122.0	122.0	
Nov	122.5	123.0	
Feb	115.0	115.0	

Turnover - (15) lots of 3,250 kg

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	358¾-359¼	230½-231
Opening	358½-359	231-221½
Morning fix	358.75	230.826
Afternoon fix	358.85	230.772
Day's high	359-359½	
Day's low	358-358½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	367-372	238-239
Britannia	367-372	238-239
US Eagle	367-372	238-239
Angel	368-373	236½-239¾
Krugerrand	357-360	229½-231½
New Sov.	84½-85½	54¼-55
Old Sov.	84½-85½	54¼-55
Noble Plat	477.75-485.35	307.35-312.20
Silver fix	**p/fine oz**	**US cts equiv**
Spot	326.05	506.75
3 months	337.45	518.10
6 months	348.85	529.65
12 months	370.55	551.95

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1700	116	111	24	62
1800	57	65	63	113
1900	23	35	128	180
Copper (Grade A)	Calls		Puts	
2700	244	188	58	120
2800	182	141	94	170
3000	90	73	199	298
Coffee	Nov	Jan	Nov	Jan
750	84	115	20	41
800	53	86	39	62
850	30	64	66	90
Cocoa	Dec	Mar	Dec	Mar
700	125		4	
750	84	78	13	44
800	51	54	30	70
Brent Crude	Oct	Nov	Oct	Nov
1650		95	1	19
1700		61		35
1750		35		59

UN agency accepts criticism of 'old-fashioned' forestry policy

John Madeley on the FAO's positive response to increasing pressure from environmentalist groups

WHEN REPRESENTATIVES of forest dwellers from Africa, Asia and Latin America hand in a "Save the Forests, Save the Planet" petition to the UN General Assembly in New York on September 19, they may find that they have some unexpected allies.

The petition, which is believed to have been signed by nearly 5m people from all over the world, says: "We the undersigned, believe that the continued destruction of the world's tropical forests represents the gravest emergency ever to face mankind."

It urges the General Assembly to call an extraordinary meeting of the United Nations to draw up an emergency plan "to halt and indeed reverse this catastrophic process. . . with its implementation given the highest possible priority."

The organiser of the petition, the Malaysian-based World Rainforest Movement – an international group of non-government organisations - is critical of the UN's own Tropical Forestry Action Plan. This was drawn up in 1985 by the World Bank, the UN Development Programme and the UN Food and Agriculture Organisation (FAO).

The Rainforest Movement claims that it puts too much emphasis on commercial logging, and has "ignored or played down the fundamental causes of deforestation and has instead adopted policies that blame the victims."

But at the Forestry Department of the FAO in Rome there are signs that the criticisms have been heard. "The 1985 plan is a mechanism to save the forests and has been adopted in over 60 countries" says the plan's co-ordinator Mr Matthijs Heering, "but we are taking the criticisms of it seriously."

The plan urges the integration of forestry into agricultural systems, the promotion of forest-based industries, restoration of fuel wood supplies, the conservation of tropical forest plants and resources, and the removal of "institutional constraints."

But while it stresses how local people clear forests, it says nothing about the burning, in for example the Amazon, which has been cited as a major factor behind the greenhouse effect.

Its lack of any clear-cut call to conserve the forests has attracted the fire of the non-government organisations, who point to the way forests regulate climate and maintain and conserve soils and water flows.

They point to the millions of forest dwellers, especially in Asia, who have lost their means of support because of logging.

Mr Heering admits that the plan now looks a little "old-fashioned" although he points out that the 64 countries who have adopted it in the last four years have between them launched over 3,000 forestry projects.

But it does not give enough attention, he says, to people who live in forests and it is now being updated to "stress the importance of involving forest dwellers in the design stage of forest projects."

Both between and within the non-government organisations and official bodies like the FAO there is a continuing debate over whether the emphasis should be on the conservation or development of forests – and whether or not the two can be reconciled.

Mr Hollis Murray, a Trinidadian who became head of the FAO's forestry department in January this year, emphasises the contribution that forests make to food supplies and security – such as the food growing land they protect, the value of food products to be found in the forest, and the range of forest activities which provide employment and income.

"Forests are valuable," he stresses, "they contain an enormous amount of hidden wealth." He cites a recent report which found that the revenues generated by the harvesting of non-wood products from the forest are two to three times greater than logging or clearing forest for pasture.

Mr Murray stresses that "forests are a resource to be used." He is against the idea now being canvassed of a total ban by Western countries on the import of tropical hardwoods; (West Germany has imposed such a ban).

"What we must do is to use the forest in a sustainable way," he says.

The snag is that less than 10 per cent of the world's 900m hectares of tropical forest is currently managed in a sustainable way. Developing countries often lack people with the skills to manage forests and also the money to train them.

More resources for forests are now crucial, believes Mr Murray. "We are just not planting enough trees," he says. Some 11.3m ha of tropical forest is cleared each year and for every 10 ha cleared only 1 ha is replanted.

But the forest problem can only be solved by looking wider than the forest itself, he says.

"Most tropical forest is cleared to provide land to grow food so it's vital to pursue a multidisciplinary approach, looking at the whole question of land use."

Despite the current focus on green issues, the FAO's forestry department is scheduled to receive only 4.3 per cent of the organisation's budget during the next two years.

But with forest burning estimated by the UN Environment Programme to account for 20-25 per cent of the world's carbon dioxide emissions, which are mainly responsible for the greenhouse effect, donor countries may now feel that tropical forests deserve more support.

The US commodities markets were closed yesterday for the Labor Day holiday

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Sept 1	Aug 31	mnth ago	yr ago
	1922.6	1916.5	1897.8	1863.0
DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	129.95	129.80	128.19	-
Futures	130.58	131.34	126.93	-

LONDON STOCK EXCHANGE

Equity gains extended in thin trade

THE NEW equity Account in the UK stock market, which also effectively marks the City's return to work after the Summer holidays, opened in good form yesterday, with the FT-SE Index continuing to move nearer to the all-time high recorded in July 1987. Market attendance was higher as the July and August holiday months faded into memory, and bid developments in the airline, paper, and leisure sectors also served to keep the mood buoyant. Trading volume remained disappointing, however.

Professional traders appeared reluctant to be impressed by the further rise in the equity market, which took the FT-SE Index ahead by another 11.7 points to 2,419.2, about 24 points short of the all-time peak. Yesterday's apparent consolidation above the psychologically-important 2,400 mark owed much to at least one important technical factor; a large institutional seller of the FT-SE futures contract, active last week, was absent from the London International Financial Futures Exchange yesterday

This relief of pressure from the futures market, together with a number of ex dividend price adjustments in leading stocks, helped the Footsie to rise by 17 points in early trading. Buying interest, never on any significant scale, cooled off after lunch in the absence of support from Wall Street, closed yesterday for Labor Day. Seaq trading volume totalled an unexciting 369.9m shares.

The absence of Wall Street interest was particularly significant in view of British Airways' (BA) involvement in the $6.8bn employee management consortium bid for United Airlines of the US. If the consortium bid succeeds, BA will hold 15 per cent of the newly-shaped United, and London analysts believe that US investment funds may see this as an attractive way to invest in their own domestic airline industry. BA stock closed a shade easier in London yesterday.

Shares in BAT Industries drifted lower, reflecting both the lack of US interest and also the uncertainty in the UK market regarding the prospects for the bid from the Sir James Goldsmith camp.

Across the broader range of UK stocks, however, speculative interest was sustained by a £382m bid for Norton Opax from Bowater and by plans for Grand Metropolitan, the UK drinks and retailing group, to sell its betting shops.

Market indices were also spurred ahead by a squeeze on market maker's positions as they opened their trading books for the new Account; trading positions were kept very tight over the three-week Account which ended on Friday, and several leading traders were caught short of stock when the market moved ahead yesterday morning.

Account Dealing Dates

*First Dealings:	Aug 14	Sep 4	Sep 18
Option Declarations:	Aug 31	Sep 14	Sep 28
Last Dealings:	Sep 1	Sep 15	Sep 29
Account Day:	Sep 11	Sep 25	Oct 9

*New time dealings may take place from 9.00 am two business days earlier

Welcome for GMet plans

A leisure and brewery sector already returning towards its peak levels for the year continued to perform strongly yesterday.

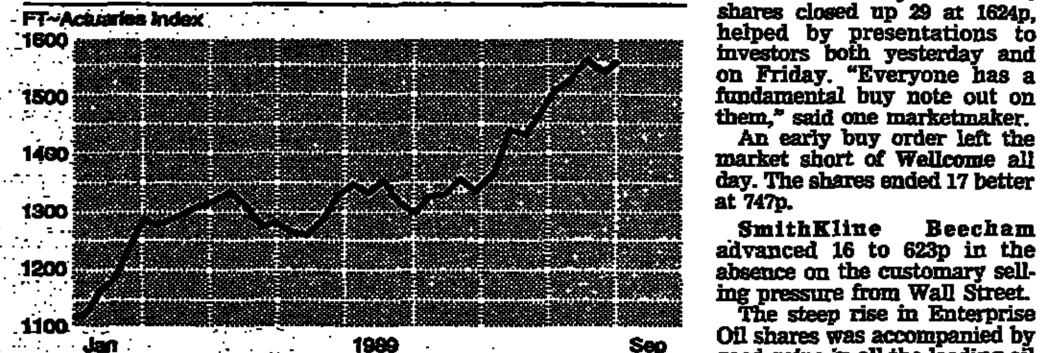
The decision by Grand Metropolitan to sell its Mecca and William Hill betting shops, valued by City analysts at upwards of £600m, was regarded in the stock market as an astute move by the UK drinks and retailing group. However, the market was less favourably impressed by suggestions that Brent Walker might want to add the GrandMet betting interests to its stable of property and leisure operations.

GrandMet shares jumped 15 to 648p, with turnover of 2.6m indicating the favourable response of institutional investors to the planned deal. The market was also busy assessing the implications of the proposal for the rest of the sector.

Shares in Brent Walker, on the other hand, were 18 off at 389p; traders expressed doubts, not over Brent's ability to bring off the deal – it has James Capel and Citicorp in its corner and has carried off a substantial acquisition programme already – but over the strategy involved. However, concerns over the financing were offset by hints in the market that Brent Walker might sell off its Whyte & Mackay distilling group.

The spotlight was also turned on Bass, with analysts noting that the board might regard the GrandMet plan as a signal for divestment of Coral, the betting shop business owned by Bass. Shares in the brewing group jumped 7 to 1105p, with the market assuming a valuation of around £300m for Coral's 800 betting shops if Bass decides to put them up for sale.

Brewers and Distillers



Enterprise flare

Enterprise Oil shares rallied as the market picked up whispers that an announcement of an out-of-court settlement of the dispute over Texas Eastern's North Sea assets was imminent.

Dealers and sector specialists said they expected news that Enterprise will come out of the saga with a better share of the Texas assets than expected – possibly as much as 33 per cent. Enterprise announces interim results on Thursday. It originally announced the purchase of the Texas assets in March this year financed by a near-£650m rights issue.

But the other participants in the Texas interests in the North Sea, British Gas and Amerada Hess, won an Appeal Court hearing enabling them to exercise pre-emption rights over the Texas Eastern assets.

Enterprise shares have weakened in past weeks, slipping to around 580p, upset by market talk that they might come out of the discussions with British Gas and Amerada Hess with as little as 12 to 15 per cent of the Texas Eastern assets. There have also been stories that ICI is looking to place its near-25 per cent stake in Enterprise. "The rise in Enterprise shares reflects sheer relief that this matter is about to be resolved," said one oil specialist yesterday. Enterprise moved up 15 to 595p.

Bowater move

Bowater's predicted bid for Norton Opax united analysts in the belief that the takeover attempt would succeed. Norton's shares climbed steeply, while those of De La Rue, currently subject to an offer from Norton, collapsed. It is a condition of Bowater's that that deal be called off.

Analysts cautioned, however, that Bowater's shares might be weak in the short term. Mr Geoff Allum, at County NatWest WoodMac said that next year's gearing would be high – between 125% and 200%. He said, however, that Bowater had been left with little option than to bid. If Norton had succeeded in buying De La Rue, Bowater's holding in the former would have been diluted to around 12 per cent, too small to influence Norton's board sufficiently. However, he felt that the takeover made industrial logic, while Mr John Kenny and Mr Tim Rothwell at BZW said that disposals, such as the books printing operation – likely to go for around £40m – would cut gearing. Bowater ended 6 to the good at 501p, Norton climbed 30 to 221p and De La Rue bottomed at 352p before finishing down 16 at 357p.

The rest of the brewery sector had another buoyant session, with the GrandMet plans providing further reason for speculative interest in the leading names. With news expected shortly on its Thistle Hotels sale project, shares in Scottish & Newcastle edged ahead to 387p.

Guinness (597p) and Allied Lyons (555p) were firm markets and Whitbread "B" shares closed higher at 1200p.

The City digested news of British Airways' move to take a 15 per cent stake in United Airlines, and began to feel better about it. "At least they are not trying to take 25 per cent," said one analyst drily. Some were even more positive. Friday's fears of severe earnings dilution were quelled by a statement from the company yesterday, which also said that the new company set up to bid for United may, in turn, take a stake of up to 15 per cent in BA. Another analyst added that the support for the BA consortium's bid from United's pilots would make it more difficult for a counter offer to succeed.

Dealers had expected BA shares to be hit harder than their fall of 2 to 208p. They blamed what weakness there was on the absence of American buyers away from work on Labor Day. Wall Street has been a buyer of British Airways through the summer.

Pharmaceuticals put in a good performance in light volume. Most notable was Glaxo, which broke through the £16 barrier for the first time since Black Monday, although it is still well short of the 1845p it touched in July 1987. The shares closed up 29 at 1624p, helped by presentations to investors both yesterday and on Friday. "Everyone has a fundamental buy note out on them," said one marketmaker.

An early buy order left the market short of Wellcome all day. The shares ended 17 better at 747p.

SmithKline Beecham advanced 16 to 623p in the absence on the customary selling pressure from Wall Street.

The steep rise in Enterprise Oil shares was accompanied by good gains in all the leading oil stocks. **LASMO** were strongly supported, closing 6 higher at 534p with analysts highlighting the forthcoming interim figures expected on September 13 and expected drilling news, especially from the Pakistan gas well.

SG Warburg remained the front runner in a buoyant merchant banking arena short of stock. Warburg shares ran up a further 21 to a year's best of 454p. Others to go better included **Singer & Friedlander**, firmer at 76p ahead of interims due on Thursday, **Kleinwort Benson**, scheduled to report interims on September 13, up 8 to 351p, and **Morgan Grenfell**, 4 higher at 338p; there has been revived speculation in the market recently that the near 21 per cent stake in Morgan Grenfell, held by Willis Faber, the insurance broker, could soon be on the move. Morgan is expected to announce interim figures later this month.

Life assurer Pearl edged up 3 to 519p in front of today's interim pre-tax profits which BZW estimates should come out 28 per cent higher at £39m, compared with £29.71m; BZW expects an interim of 7p against 6p.

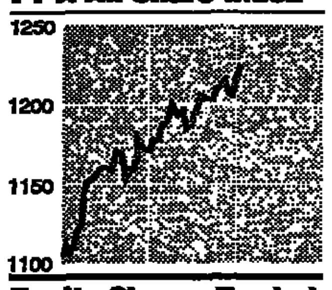
Insurance brokers remained in good form, still helped by the recent BZW recommendation which said the sector looked "ready for a bounce." Sedgwick, reporting today and where Hoare Govett is going for pre-tax profits of £63m compared with £61.9m, jumped 6 more to 270p on 1.3m shares.

Dixons were one of the retail sector's features. The shares retreated against the overall market trend to close a net 3 off at 168p on bigger than usual turnover of 3m. Goldman Sachs was behind the weakness in the stock after the US broker's retailing team cut its current year profits forecast from £73m to £60m. Mr Philip Dorgan at Goldman said Dixons was "suffering from very slim operating margins."

Among the smaller companies Miller and Santhouse, the optician, jumped 25 to 185p after revealing it was in talks which could lead to a bid being made for the company.

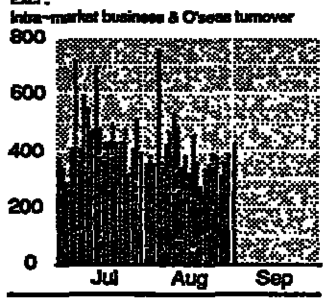
Moss Bros raced up to 275p before closing a net 11 firmer at 263p after more reports that Amber Day could be interested in bidding for the company; Amber Day shares were slightly firmer at 67p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excl:
Intra-market business & O'seas turnover



Among subdued front-line electronics stocks, STC stood out with a 7 gain at 368p after news of the rationalisation and job-losses at its New Southgate and Basildon plants.

Psion, the USM-quoted manufacturer of an electronic personal organiser which saw its shares surge ahead last week, duly delivered the profits advance expected by market observers but saw the share price retreat in the wake of profit-taking. At the close Psion were down 18 at 375p.

VG Instruments, the scientific instruments manufacturer 63 per cent owned by Hoylake bid target BAT, staged another strong run, advancing 16 more to 479p with market observers convinced that the BAT stake will soon be on the move. BAT has signalled its intention of selling the stake and dealers are looking for a potential buyer to pay upwards of 600p share for the company.

Regular speculative favourite Ayrshire Metal jumped 20 to 175p. Mystified marketmakers agreed that such a rise aroused suspicions of stake-building.

Cautious press comment on the chances of success for Hoylake's bid for BATs, left the latter's shares 13 off at 817p in moderate volume. The same token stimulated buying of Rank Hovis Macdougall up 8 at 472p on the theory that if the Sir James Goldsmith-led consortium fails to secure BATs, then it would try to buy RHM. Other food manufacturers also did well. Unigate, 9 better at 427p and AB Foods, up 7 at 399p, led the way.

Argyll firmed 4 to 253p as it announced said it was to take part in a network of cross shareholdings with the Koninklijke Ahold of the Netherlands and Casino of France, in an extension of the alliance between the three retailers announced earlier this year. Casino said that each group would take a stake worth 50m European currency units in the other. Argyll closed 4 to the good at 253p, after having touched 254p ahead of the announcement.

The excitement surrounding British Airways involvement in the management buyout attempt at United Airlines of the US continued to spark erratic trade in Davis and Newman, which runs Dan Air. After initially climbing to 725p, the shares fell back to close at 675p, down 30 on the day.

Ocean Transport firmed ahead of interim results later this month, the shares ending 13 better at 368p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 24

FINANCIAL TIMES STOCK INDICES

	Sep 4	Sep 1	Aug 31	Aug 30	Aug 29	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.46	86.52	86.81	87.03	87.01	86.58	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.83	97.78	97.88	98.16	98.20	95.67	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	2003.6	1992.7	1977.6	1970.9	1972.7	1420.5	2003.6 (4/9)	1447.8 (3/1)	2003.6 (4/9/89)	49.4 (26/6/40)
Gold Mines	198.5	199.8	198.8	195.8	194.9	189.9	208.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2419.2	2407.5	2387.9	2381.3	2380.6	1764.5	2419.2 (4/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	3.94	3.97	4.00	4.01	4.01	4.78				
Earning Yld %(full)	9.43	9.51	9.58	9.61	9.59	12.08				
P/E Ratio(Net)(*)	12.78	12.66	12.59	12.55	12.58	10.07				
SEAQ Bargains(5pm)	28,392	32,084	26,267	23,737	26,702	19,829				
Equity Turnover(£m)†	-	894.00	869.60*	855.07	702.56	674.81				
Equity Bargains†	-	31,901	28,222*	26,155	28,319	21,723				
Shares Traded (ml)†	-	421.6	388.5*	358.9	314.4	298.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 12.65

Ordinary Share Index, Hourly changes — Day's High 2006.9 — Day's Low 1994.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1994.3	2000.5	2006.9	2005.9	2004.6	2004.8	2004.6	2003.1

FT-SE, Hourly changes — Day's High 2424.5 — Day's Low 2410.0

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2410.0	2417.5	2424.1	2421.4	2420.5	2421.0	2421.8	2418.3

S.E. ACTIVITY

Indices	Sep 1	Aug 31
Gilt Edged Bargains	88.4	89.1
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5-Day average		
Gilt Edged Bargains	82.1	83.4
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

☆ SE Activity 1974. †Excluding intra-market business & O'seas turnover. *Corrected figures

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (265).
AMERICANS (24) CANADIANS (4) BANKS (3) BREWERS (6) BUILDINGS (3) CHEMICALS (3) STORES (6) ELECTRICALS (6) ENGINEERING (21) FOODS (6) HOTELS (2) INDUSTRIALS (21) ADT, ... Serv., Wilkes (J.), INSURANCE (4) LEISURE (5) MOTORS (2) NEWSPAPERS (4) PAPERS (3) SHOES (1) SOUTH AFRICANS (1) TRANSPORT (1) TRUSTS (53) OILS (5) OVERSEAS TRADERS (2) MINES (12) THIRD MARKET (4).
NEW LOWS (27).
BUILDINGS (2) STORES (4) ELECTRICALS (3) INDUSTRIALS (6) Amer. grp., Cowan de Grt., Halls Homes & Gdns., Oakwood, Rexmore, Utd. Guarantee, MOTORS (1) PROPERTY (3) SHOES (1) TEXTILES (2) TRUSTS (3) OILS (1) MINES (3).

APPOINTMENTS

Directors at Daiwa Europe

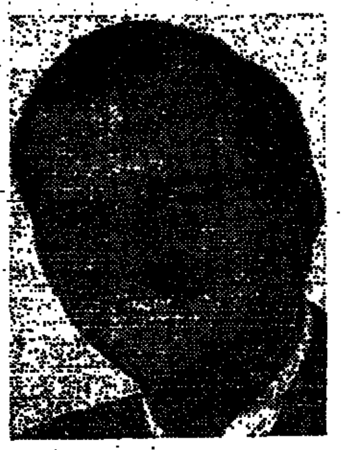
■ Mr Neil Blair and Mr Masuna Takasaki have been appointed directors at DAIWA EUROPE BANK, the major banking subsidiary of Daiwa Securities Co, Tokyo. Mr Takasaki was previously with Daiwa Europe Ltd and Mr Blair was credit and risk director – UK banking at Midland Bank.

■ Mr Harold Genders has been appointed to the new post of director of industrial relations by construction and engineering group AMEC. He remains a non-executive director of AMEC Regeneration where he was executive managing director.

■ Mr Marshall Rankin has been appointed a director of G. REEKIE GROUP. He joined Reekie Plant as general manager in 1982 and was appointed a divisional director in 1984.

■ At DOCTUS Mr Alan Greenough has become a non-executive director. He is a partner at Alsop Wilkinson and specialises in corporate finance.

■ Mr Jonathan C. Minter has become managing director (London) of JULIUS BAER INVESTMENT MANAGEMENT INC. He was formerly a director of Baring International Investment Management.



Mr Simon Little *(above)* has been appointed managing director of WESSEX WATER COMMERCIAL, the company formed by Wessex Water to extend the Wessex expertise into related areas of water activity such as plumbing, international, construction and organisational consultancy services. He was previously employed by Reedpack.

■ Mr Frederick Arnold has been made a director in the corporate finance department of WALLACE SMITH TRUST CO. He was a vice president at Shearson Lehman Brothers Inc.

■ Mr John M. Yates has been appointed company secretary at BRITISH SYPHON INDUSTRIES and, following the recent management buy-out, its parent company Britannia and each of their respective subsidiaries.

■ GRANTA PUBLICATIONS has appointed Ms Caroline Michel as managing director from January 3. She is publicity director of Bloomsbury Publishing. She succeeds Mr Bill Buford who becomes editorial director.

■ BILLINGTON STRUCTURES, Wombwell, South Yorkshire, part of Amco Industrial Holdings, has appointed Mr M. Fewster as technical director, and Mr P. Hart as financial director.

■ J.H. MINET & CO has appointed Mr Dominic Smyth to the board as an executive director of the fine arts and jewellery division.

■ Mr Chris Harwood has been appointed sales director with reprographics specialists, WOKING DYELINE. He joins from Canon where he undertook planning and development of sales training and assessment programmes.

■ Mr Keith Inwood has been appointed sales director of SALISBURYS, a subsidiary of Ratners Group. He was previously general manager of retail operations of the Ratners jewellery chain.

KNOBS AND KNOCKERS has appointed Mr Charles Smallbone *(above)*, founder and former managing director of Smallbone Kitchens, as an executive director. He also becomes chief executive of Knobs and Knockers retail and wholesale division with responsibilities for the expansion and development of this division. Mr Smallbone joined the company as a non-executive director and substantial shareholder following the reverse takeover of Knobs and Knockers by Prior Securities last month.

■ THE NATIONAL COMMERCIAL BANK has appointed Mr Graham Franklin to the position of senior manager, head of corporate banking and credit, in its London branch. He was formerly a senior manager at Lloyds Bank.

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Midland Unit Trusts Ltd—Contd.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
(Accum Units)	6	119.0	120.0	128.3	+0.8	3.17
Meridian Growth	6	128.4	129.2	138.2	+1.2	1.80
Midland Personal Pension Unit Trust ●						
British	6	64.67	65.39	69.56	+0.57	2.20
European Growth	6	64.89	64.97	69.12	+0.56	0.54
Gilt & Fixed	6	51.32	51.32	54.56	-0.01	8.29
Income	6	59.34	60.21	64.05	+0.47	3.28
Japan Growth	6	57.95	58.29	62.01	+0.47	0.00
Managed	6	59.64	60.46	64.32	+0.53	1.74
Money Market	6	53.96	53.96	57.19	+0.02	9.85
North American	6	63.99	65.10	69.25	+1.02	0.22
Midland FSAVCS Unit Trust ●						
British	6	60.99	61.65	65.58	+0.53	2.21
European Growth	6	63.25	63.32	67.36	+0.52	0.54
Gilt & Fixed Int	6	50.48	50.48	53.67	----	9.14
Income	6	60.33	61.20	65.11	+0.47	3.28
Japan Growth	6	60.22	60.55	64.42	+0.47	0.00
Managed	6	58.72	59.53	63.33	+0.53	1.73
Money Market	6	51.97	51.97	55.09	+0.02	9.67
North American	6	64.33	65.37	69.54	+0.97	0.22

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK High Inc Eq Inc	5	75.29	75.29	81.27	+0.39	5.56
UK High Inc Eq Acc	5	85.55	85.55	92.36	+0.45	5.56
Hong Kong Inc	5	43.12	43.12	46.01	+1.28	2.93
Hong Kong Acc	5	45.05	45.05	48.06	+1.33	2.93
Swiss Equities Inc	5	40.59	40.59	43.59	+0.15	1.08
Swiss Equities Acc	5	40.94	40.94	43.96	+0.14	1.08
W'wide Bond Inc	5	52.90	52.90	55.46	+0.14	5.85
W'wide Bond Acc	5	55.19	55.19	58.90	+0.14	5.83
Emerging Asia Inc	5	95.24	95.24	101.9	+1.8	0.00
Emerging Asia Acc	5	95.24	95.24	101.9	+1.8	0.00
UK Money Mkt Inc	0	50.10	50.10	50.10	+0.04	12.98
UK Money Mkt Acc	0	50.10	50.10	50.10	+0.04	12.98

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	127.9	129.6	137.8	+0.5	2.50
PM Income & Gth	5	104.7	105.8	112.5	-2.3	3.88
PM Nth Amer Gth	5	63.27	63.27	67.30	+0.8	1.12
PM European Gth	5	61.58	61.76	65.70	+0.46	0.67
PM Japan Gth	5	81.29	81.43	86.62	+0.75	0.28
PM Overseas Gth	5	57.61	57.61	61.28	+0.44	0.43

Prudential Holborn Unit Tsts Ltd (1445)H
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345
Two Hourly Pricing

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Holborn Trust	6	25.49	25.74	27.52	+0.18	0.87
Holborn Comm	6	82.62	82.82	88.57	+0.16	0.28
Holborn Equity Inc	6	71.40	71.40	76.36	+0.50	4.34
Holborn Equity	5	618.63	627.97	664.31	+4.89	3.04
Holborn European	6	145.14	146.17	156.33	+1.57	0.24
Holborn High Inc	6	86.83	86.83	92.86	+0.31	5.93
Holborn Intl Grth	6	129.48	129.48	138.48	+0.97	0.67
Holborn Intl Sm Co	6	60.17	60.17	64.35	-0.32	0.00
Holborn Japanese	6	172.94	172.94	184.96	-0.64	0.00
Holborn Nth Amer	6	108.25	108.56	116.10	+0.80	0.36

Smith & Williamson Unit Tst Mgrs (1000)F
1 Riding House St, London W1A 3AS. 01-637 5377

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American	5	188.5	187.8	198.7	+1.6	1.33
S & W Far Eastern	5	109.1	110.2	116.6	+0.2	0.00
S & W Growth	5	104.4	106.1	112.2	+1.0	1.39
S & W Income	5	103.9	106.2	112.3	-1.8	5.48
S & W Smllr Secs	5	282.5	291.7	308.6	+0.2	1.18

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Capital Prfrnce	5½	51.36	52.07	55.45	+0.34	3.60
Ethical	5½	49.36	50.37	53.51	+0.22	1.02
Income	5½	49.10	49.82	53.28	+0.32	4.78
Intl Growth	5½	66.69	66.94	71.59	+0.46	2.48

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set, unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD				01-405 8331		
Capital & Equity	5	64.56	67.71	72.02	+0.34	6.59
European	5	76.63	76.96	81.82	−0.16	0.09
Far Eastern	5	64.84	68.14	72.49	+1.42	0.60
Growth Inc	5	90.25	93.77xd	99.75	+1.82	1.37
Growth Acc	5	90.33	93.84xd	99.83	+1.82	1.37
Income Inc	5	86.14	88.45xd	94.09	+0.90	4.52
Income Acc	5	86.24	88.55xd	94.20	+0.90	4.52
Property Share	5	56.76	55.76	59.43	−0.16	0.99
Smaller Co's	5	59.91	59.91	63.86	+0.30	1.50
Nth American	5	71.85	71.85	76.84	+1.29	1.43
International	5	51.47	51.47	55.05	+0.59	1.35
Wright Seligman Fund Mngrs Ltd (0700)F						
11 Blomfield St, London EC2M 7AY				01-588 0592		
Intl Growth	5	116.34	116.34	121.34	—	3.86
UK Growth	5	95.00	95.00	100.00	—	3.00
UK Income	5	95.00	95.00	100.00	—	4.50
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield				0484 602250		
Yorkshire General	5¼	65.60	67.94	72.38	+0.55	2.51
YUTM UK Eqy Inc Tst	5¼	61.80	61.80xd	67.99	+0.40	3.68
YUTM Intl Grth Tst	5¼	54.88	54.88	58.38	+0.52	0.76

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or −	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Expt June 7	1485.3	903.8	—	—
Cent. Bd. of Fin. of Church of England##				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Inv Fund July 31		538.95	—	4.55
Fxd Int Sec July 31		142.05	—	10.07
Deposit July 31		100.00	—	13.25
Charinco/Charishare## (1000)F				
33 King William Street, EC4R 9AS			01-280 2800	
C'inco Inc Aug 30	165.6	169.9xd	−4.00	10.06
C'inco Acc Aug 30	696.1	714.3xd	+0.80	10.06
C'share Inc Aug 30	162.4	168.5	−1.20	3.98
C'share Acc Aug 30	179.7	186.4	−0.10	3.98
Charities Official Invest. Fund##				
2 Fore Street, London EC2Y 5AQ			01-588 1815	

	Bid Price	Offer Price	+ or −	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Sterling Money	139.1	146.4	+2.3	—
UK Money	125.3	131.8	+0.7	—
N.Am Pn Fd Acc(z)	284.5	299.5	+4.5	—
Pac Basin Fd Acc(z)	199.6	210.0	+3.5	—
Property(z)	607.7	639.6	+0.2	—
Mtple Inv Pens Acc(z)	1566.7	1649.1	+14.8	—
Broker Funds				
Prof. Pen. Fd	102.8	108.1	+1.0	—
YBA Strategy	127.0	133.6	+0.7	—
YBA Performance	109.2	114.9	+0.7	—
Laughton Dollar (SB)	145.0	152.5	+0.6	—
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL			0793 514514	
Fixed Int. Dep. Acc	265.5	279.4	+0.2	—
Equity Acc	919.6	968.1	+4.0	—
Property Acc	510.8	537.7	−0.7	—
Far East Acc	217.3	228.8	+1.0	—
European Acc	24.9	26.3	—	—
Managed Acc	719.1	757.0	+3.6	—
Managed Cap	406.3	427.7	+1.5	—
O'seas Earnings Acc	612.7	645.0	+2.4	—
Gilt Edged Acc	320.7	337.6	+0.3	—
American Equity Acc	501.9	528.4	+4.4	—
American Man Acc	231.5	243.7	+2.0	—
American Prop Acc	152.6	160.7	+0.8	—
Pen.F.I.Dep.Cap	293.1	308.6	+0.2	—
Pen.F.I.Dep.Acc	506.2	532.9	+0.6	—
Pen. Prop. Cap	598.6	630.4	−0.7	—
Pen. Prop. Acc	1142.4	1202.7	−0.2	—
Pen. Man. Cap	889.2	936.0	+6.7	—
Pen. Man. Acc	1694.8	1784.0	+13.9	—
Pen.GiltEdg.Cap	320.2	337.1	−0.2	—
Pen. Gilt Edg. Acc	499.2	525.5	−0.2	—
Pen. Eq. Cap	1476.9	1554.7	+13.4	—
Pen. Eq. Acc	2133.7	2246.0	+20.3	—
Pen. Am. Eq Cap	171.2	180.5	+1.9	—
Pen. Am. Eq Acc	208.5	219.5	+2.4	—
Pen. Far East Cap	260.3	274.0	+1.9	—
Pen. Far East Acc	316.9	333.6	+2.4	—
Pen. Euro Cap	29.8	31.4	—	—
Pen. Euro. Acc	32.6	34.4	—	—
Pen. B.S. Acc	556.3	586.2	+0.6	—
Pen. B.S. Cap	331.3	347.9	+0.3	—
Pen. D.A.F. Acc	389.0	389.0	+0.4	—
Pen. D.A.F. Cap	260.0	260.0	+0.2	—

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INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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Premium Life Assurance Co Ltd

37-39 Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	135 0	143 0	+1 0	–
Building Soc. Fd.	174 0	184 0	.....	–
Balanced	293.0	309 0	+1 0	–
European	190 0	200 0	+1.0	–
GT Managed	191 0	201.0	+1 0	–
Gartmore Mngd	129 0	136.0	+1.0	–
German	137 0	145 0	+1.0	–
Gilt	183 0	193 0	.....	–
Global	50 0	53 0	.....	–
High Inc.	122 0	129 0	.....	–
International Equity	205.0	216 0	+1.0	–
Japan	263 0	277 0	+1 0	–
Managed	64 0	68 0	.....	–
Property	291 0	307 0	.....	–
R. W. Imperial Gold	153 0	162 0	.....	–
UK Equity	369 0	389 0	+1.0	–
Pension Funds				
American	156 0	165 0	.....	–
Building Soc. Fd.	175 0	185 0	.....	–
Balanced	226 0	238 0	.....	–
European	190 0	200 0	.....	–
German	119 0	126.0	.....	–
Gilt	158 0	167 0	.....	–
International Equity	148 0	156.0	.....	–
Japan	144 0	152 0	.....	–
Managed	68 0	72 0	.....	–
Property	223 0	235 0	.....	–
UK Equity	337 0	355 0	+1 0	–

Professional Life Assurance Co Ltd

Frobisher Hse Nelson Gate Southampton 0703 232323

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Managed Fund	98 23	103 95	+0 86	–
Pensions Cash Fund	79 50	83 68	+0.08	–

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4BE 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Mngd	633 7	667 8	+2 2	–
Adventurous Mngd	137 6	145 0	+0 6	–
Secure Mngd	114 6	120 8	.....	–

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	.....	–	–
[illegible]	[illegible]	Treas 5pc 1986–89	[illegible]	[illegible]	5.04	11.08
[illegible]	[illegible]	Exch 10¼pcCv '89	[illegible]	.....	10.33	13.56
[illegible]	[illegible]	Treas 13pc 1990‡‡	100	[illegible]	13.01	12.80
[illegible]	124	Treas 2pc IL '90(84.6)	[illegible]	.....	2.09	9.98
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	11.09	12.76
[illegible]	[illegible]	Exch. 12½pc 1990	[illegible]	[illegible]	12.53	13.17
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	3.14	9.88
[illegible]	[illegible]	Treas 8¼pc 1987–90‡‡	[illegible]	[illegible]	8.46	11.59
[illegible]	[illegible]	Treas. 8pc Cv 1990 ‡‡	[illegible]	[illegible]	8.25	11.74
[illegible]	[illegible]	Treas. 10pcCv 1990	[illegible]	[illegible]	10.26	12.38
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	.....	2.69	8.63
[illegible]	[illegible]	Treas 11¾pc 1991	99½	[illegible]	11.81	12.07
[illegible]	[illegible]	Funding 5¾pc '87–91‡‡	[illegible]	[illegible]	6.17	10.56
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	[illegible]	3.32	9.38
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	10.28	11.67
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	11.12	11.57
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.59	11.48
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	12.34	11.09
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	10.26	11.18
[illegible]	91	Treas. 8pc 1992 ‡‡	[illegible]	[illegible]	8.61	11.19
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	98½	[illegible]	10.66	11.12
[illegible]	[illegible]	Treas. 3pc 1992	85	.....	3.53	9.26
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	11.91	11.08
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	12.69	10.98
[illegible]	[illegible]	Treas 8¾pc 1993	[illegible]	[illegible]	8.91	10.84
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	10.21	10.70
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]	[illegible]	11.85	10.71
[illegible]	[illegible]	Funding 6pc 1993‡‡	[illegible]	.....	6.87	9.87
[illegible]	[illegible]	Treas 13¾pc 1993‡‡	[illegible]	[illegible]	12.47	10.63
[illegible]	[illegible]	Treas. 8½pc 1994	[illegible]	[illegible]	9.20	10.69
[illegible]	[illegible]	Treas 14½pc 1994‡‡	[illegible]	[illegible]	12.71	10.48
[illegible]	[illegible]	Exch 13½pc 1994	[illegible]	[illegible]	12.26	10.67
[illegible]	[illegible]	Treas. 10pc Ln. 1994‡‡	[illegible]	[illegible]	10.19	10.49
[illegible]	[illegible]	Exch. 12½pc 1994	[illegible]	[illegible]	11.69	10.64

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
[illegible]	[illegible]	Treas 9pc 1994‡‡	[illegible]	[illegible]	9.55	10.45
[illegible]	[illegible]	Treas 12pc 1995	[illegible]	[illegible]	11.38	10.62
[illegible]	74½	Exch 3pc Gas 90–95	76	.....	3.95	8.41
[illegible]	[illegible]	Exch. 10¼pc 1995	[illegible]	[illegible]	10.37	10.51
[illegible]	[illegible]	Treas 12¾pc 1995‡‡	[illegible]	[illegible]	11.56	10.42
[illegible]	[illegible]	Treas 14pc '96	[illegible]	[illegible]	12.11	10.55
[illegible]	[illegible]	Treas. 9pc 1992–96‡‡	[illegible]	[illegible]	9.52	10.16
[illegible]	[illegible]	Treas 15¼pc 1996‡‡	[illegible]	[illegible]	12.45	10.46
[illegible]	110	Exch 13¼pc 1996‡‡	[illegible]	[illegible]	11.70	10.44
[illegible]	[illegible]	Conversion 10pc 1996	[illegible]	[illegible]	10.18	10.34
[illegible]	[illegible]	Treas 13¼pc 1997‡‡	[illegible]	[illegible]	11.58	10.38
[illegible]	[illegible]	Exch 10½pc 1997	[illegible]	[illegible]	10.42	10.33
[illegible]	[illegible]	Treas 8¾pc 1997‡‡	[illegible]	[illegible]	9.46	10.15
[illegible]	[illegible]	Exch 15pc 1997	124	[illegible]	12.11	10.54
[illegible]	[illegible]	Exch. 9¾pc 1998	[illegible]	[illegible]	10.02	10.22
[illegible]	[illegible]	Treas 6¾pc 1995–98‡‡	[illegible]	[illegible]	8.20	9.82
[illegible]	[illegible]	Treas. 15½pc '98‡‡	[illegible]	[illegible]	11.96	10.39
[illegible]	[illegible]	Exch. 12pc 1998	[illegible]	[illegible]	10.94	10.32
[illegible]	[illegible]	Treas 9½pc 1999‡‡	[illegible]	[illegible]	9.78	9.96
[illegible]	[illegible]	Exch. 12¼pc 1999	[illegible]	[illegible]	10.97	10.30
[illegible]	[illegible]	Treas. 10½pc 1999	[illegible]	[illegible]	10.32	10.20
[illegible]	[illegible]	Conversion 10¼pc 1999	[illegible]	[illegible]	10.20	10.15
[illegible]	[illegible]	Treas. 8½pc Ln 2000‡‡	[illegible]	[illegible]	9.35	9.91

BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
[illegible]	[illegible]	Conversion 9½pc 2004	[illegible]	[illegible]	9.60	9.63
[illegible]	[illegible]	Conversion 9½pc 2005	[illegible]	.....	9.58	9.60
[illegible]	[illegible]	Exch. 10½pc 2005	[illegible]	[illegible]	9.78	9.59
[illegible]	[illegible]	Treas. 12½pc 2003–05	[illegible]	.....	10.37	9.77
[illegible]	[illegible]	Treas. 8pc 2002–06‡‡	[illegible]	[illegible]	9.15	9.50
[illegible]	[illegible]	Conversion 9¾pc 2006	102	[illegible]	9.56	9.51
[illegible]	[illegible]	Treas. 11¾pc 2003–07	[illegible]	[illegible]	10.26	9.77
[illegible]	[illegible]	Treas 8½pc 2007 ‡‡	[illegible]	[illegible]	9.18	9.36
[illegible]	[illegible]	Treas. 13½pc '04–08	[illegible]	[illegible]	10.44	9.70
[illegible]	[illegible]	Treas. 9pc 2008 ‡‡	[illegible]	[illegible]	9.25	9.30
[illegible]	[illegible]	Treas 8pc 2009	[illegible]	[illegible]	9.02	9.25
[illegible]	[illegible]	Conv 9pc Ln 2011 ‡‡	[illegible]	[illegible]	9.17	9.20
[illegible]	[illegible]	Treas. 5½pc 2008–12‡‡	[illegible]	[illegible]	8.35	9.05
[illegible]	[illegible]	Treas. 7¾pc 2012–15‡‡	[illegible]	[illegible]	9.01	9.18
[illegible]	[illegible]	Exch. 12pc '13–'17	[illegible]	[illegible]	9.47	9.22

Undated

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
[illegible]	41½	Consols 4pc	[illegible]	.....	9.34	–
[illegible]	[illegible]	War Loan 3½pc‡‡	[illegible]	.....	9.15	–
[illegible]	[illegible]	Conv. 3½pc '61 Aft	[illegible]	.....	5.38	–
[illegible]	[illegible]	Treas. 3pc '66 Aft	[illegible]	.....	8.74	–
30¼	26	Consols 2½pc	[illegible]	.....	9.24	–
29½	[illegible]	Treas. 2½pc	[illegible]	.....	9.32	–

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or −	(1)	(2)
[illegible]	[illegible]	Tr. 2pc '92‡‡(97.8)	[illegible]	.....	1.92	2.96
[illegible]	[illegible]	Do. 2 '94 (102.9)	[illegible]	[illegible]	2.43	2.98
[illegible]	[illegible]	Do. 2pc '96(67.9)	[illegible]	[illegible]	2.75	3.13
[illegible]	[illegible]	Do 2½pc '01(78.3)	[illegible]	[illegible]	3.23	3.48
[illegible]	[illegible]	Do. 2½pc '03(78.8)	[illegible]	[illegible]	3.21	3.53
[illegible]	[illegible]	Do. 2pc '06(69.5)	[illegible]	[illegible]	3.36	3.54
[illegible]	[illegible]	Do. 2½pc '09(78.8)	[illegible]	[illegible]	3.37	3.54
[illegible]	[illegible]	Do. 2½pc '11(74.6)	127	[illegible]	3.37	3.53
[illegible]	[illegible]	Do. 2½pc '13(89.2)	[illegible]	[illegible]	3.36	3.50
[illegible]	[illegible]	Do. 2½pc '16(81.6)	[illegible]	[illegible]	3.33	3.47
[illegible]	[illegible]	Do. 2½pc '20(83.0)	[illegible]	[illegible]	3.30	3.42
[illegible]	[illegible]	Do. 2½pc '24‡‡(97.7)	[illegible]	[illegible]	3.26	3.38

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1988: 110.3 and for July 1989: 115.5.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
[illegible]	[illegible]	African Dv Bk 11¼Ln2010	[illegible]	[illegible]	10.62	10.54
[illegible]	[illegible]	Asian Dev Bk 10¼pcLn2009	[illegible]	[illegible]	10.18	10.16
[illegible]	[illegible]	Australia 13½pc 2010	[illegible]	[illegible]	10.84	10.55
[illegible]	[illegible]	Do. 11¾pcLn2015	[illegible]	[illegible]	10.56	10.50
[illegible]	[illegible]	Euro Inv Bk 11pc Ln 2002	[illegible]	[illegible]	10.56	10.40
[illegible]	[illegible]	Do. 10¾pc2004	[illegible]	[illegible]	10.38	10.37
[illegible]	[illegible]	Int-Am Dev Bk 12½pc 2003	[illegible]	[illegible]	11.00	10.56
[illegible]	[illegible]	Do. 9¾pcLn 2015	[illegible]	[illegible]	10.20	10.23
[illegible]	[illegible]	Mlysia 10¾pcLn 2009	[illegible]	.....	11.32	11.39
120	115	Utd. Mexican States 16½pc 2008	115	.....	14.35	14.20

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102	99½	Birmingham 13½pc 1989	99½	.....	13.57	11.20
111½	102½	Do. 11½pc 2012	106½	.....	10.80	10.70

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
34⅛	27⅝	Ford Motor $1	34⅛	....	$3 00	–	5 5
37⅝	24¼	Gen. Elect. 63c	36⅞		$1 64	–	2.8
579p	460p	General Host Corp $1	579p	+30	30c	–	3 3
39¼	18¼	Gillette $1	29¼	+⅛	96c	–	2 1
987p	601p	Gt Atlantic Bank Bk $1	837p	+14	20c	–	1.5
23⅞	16⅛	Greyhound $1½	23½	–⅛	$1 32	–	3.6
14½	847p	Hasbro Inc 50c	14½	+⅛	16c	–	0 7
57⅝	32¼	Honeywell $1½	57⅝	–⅛	$2 10	–	2 3
21⅝	15¼	Houston Inds	21¼	.	$2 96	–	6 6
75⅛	63⅛	ISM Corpn $1¼	74⅝	...	$4 84	–	4.1
60p	45p	Image Storage/P Sys 1c	55p			–	–
32⅛	18⅛	Ingersoll-Rand $2	32⅛	+⅛	$1 20	–	2.4
33¼	22⅝	Lockheed Crpn $1	33⅛	+½	$1 80	–	3.4
22⅝	15⅛	Lone Star Inds $1	22⅛	+⅛	$1.90	–	5 4
27⅛	17⅜	Louisiana Land 15c	27⅛	+1⅛	$1 00	–	2.3
20¼	11⅝	Lowe's 50c	20¼	+¼	48c	–	1 5
26⅛	15⅛	Manuf. Hanover $1	26⅛	+½	$3 28	–	7 9
22⅝	13⅛	Merrill Lynch $1	22⅛	+⅛	$1 00	–	2.9
2402p	1910p	Molex Inc	2402p	–5	3 2c	–	–
27⅛	18⅝	Morgan (JP) $2½	26⅝	...	$1 66	–	4.0
104⅛	98⅛	Morris (Philip)	104⅛		$4.50	–	2.7
54½	36⅛	NYNEX $1	52⅛	–1⅛	$4 36	–	5.3
44p	20p	Nationwide Legal Serv.	28p	+4		–	–
24⅞	18¼	PHH Corp	24⅞	–¼	$1.12	–	2.8
259p	180p	Pacific Agr	180p	...		–	–
27¼	19	Pacificorp $3¼	26½	–⅛	$2.76	–	6.3
30¼	16⅞	Pacific Telesis 10c	30¼	+⅛	$1.88	–	3 9
22⅛	15¼	Pall Corp 25c	21⅝	+⅛	48c	–	1.4
55⅝	39⅛	Pennzoil 83 1/3c	54⅝	+¼	$3 00	–	3 5
42¼	28⅜	Quaker Oats $5	40⅝	+⅛	$1.20	–	1 9
32⅛	23⅛	Rep NY Corpn $5	30⅞	+⅛	$1.38	–	2.6
15⅝	11⅛	Rockwell Intl $1	15⅝	+¼	78c	–	3 2
29	22	Sears Roebuck 75c	28⅛	...	$2 00	–	–
35½	21⅝	Southwestern Bell $1	35	+⅝	$2 60	–	4 7
27⅞	17⅛	Sun Co Inc $1	24⅛	–½	$1 80	–	4.6
31⅛	22⅛	TRW Inc 62½c	31⅞	+⅞	$1 72	–	3.5
24⅝	14⅝	TW Services $5	24⅝	–¼	10c	–	0.3
39⅞	25⅛	Tenneco $5	39⅛	+⅛	$3.04	–	4.9
35⅞	26	Texaco $6 25	32⅛	+⅞	$3 00	–	5.6
28⅛	21⅝	Texas Instr $1	26⅛	–⅝	72c	–	1 7
117⅝	58⅞	Time Inc $1	88⅝	+⅝	$1 00	–	0.7
19⅝	15⅛	TRINOVA Corp	19⅝	+⅛	68c	–	2 2

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. ‡ Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

Stocks previously listed under Shipping are now included in the Transport sector, as are others heretofore dispersed under several other headings.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... γ	96	......
Craig & Rose £1.. γ	830	......
Finlay Pkg. 5p.... γ	86	......
Holt (Jos) 25p..... γ	1330	–10

IRISH

Cap. 8½% Ln 1991.. γ	£97¼	......
9pc Cap Ln. 1996. γ	£99	......
Fin. 13% 97/02.. γ	£119	......
Arnotts............. γ	420	......
Carrol (P J.)....... γ	160	......
Hall (R. & H.)..... γ	172	–3
Helton Hldgs....... γ	92xd	......
Irish Ropes......... γ	212	......
Unized Drug........ γ	148	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons......... γ	38
Amstrad......... γ	11
BAT......... γ	80
BOC Grp......... γ	42
BSR......... γ	6½
BTR......... γ	32
Barclays......... γ	42
Blue Circle......... γ	24
Boots......... γ	25
Bowaters......... γ	44
Brit Aerospace......... γ	52
British Steel......... γ	7½
Brit. Telecom......... γ	21
Burton Ord......... γ	18
Cadburys......... γ	46
Charter Cons......... γ	48
Comm Union......... γ	32
Courtaulds......... γ	30
FKI......... γ	14
FNFC......... γ	22
Gen Accident......... γ	85
GEC......... γ	20
Glaxo......... γ	110
Grand Met......... γ	48
GUS 'A'......... γ	90
Guardian......... γ	18
GKN......... γ	34
Hanson......... γ	16
Hawker Sidd......... γ	60
ICI......... γ	100
Jaguar......... γ	28
Ladbroke......... γ	28
Legal & Gen......... γ	26
Lex Service......... γ	33
Lloyds Bank......... γ	29
Lucas Inds......... γ	58
Marks & Spencer......... γ	15
Midland Bk......... γ	30
Morgan Grenfell......... γ	24
Nat West Bk......... γ	25
P & O Dfd......... γ	55
Plessey......... γ	22
Polly Peck......... γ	26
Racal Elect......... γ	20
RHM......... γ	42
Rank Org Ord......... γ	88
Reed Intnl......... γ	34
STC......... γ	32
Sears......... γ	10
Smithkline Bchm. A......... γ	50
TI......... γ	35
TSB......... γ	10
Tesco......... γ	14
Thorn EMI......... γ	58
Trust Houses......... γ	24
T&N......... γ	18
Unilever......... γ	46
Vickers......... γ	18
Wellcome......... γ	42

Property

Brit Land......... γ	32
Land Securities......... γ	52
MEPC......... γ	50
Ransworth......... γ	28

Oils

Brit Petroleum......... γ	21
Burmah Oil......... γ	50
Calor......... γ	35
Charterhall......... γ	2½
Premier......... γ	9
Shell......... γ	32
Ultramar......... γ	26

Mines

Cons Gold......... γ	150
Lonrho......... γ	30
RTZ......... γ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar runs out of steam

NO SINGLE currency dominated the foreign exchanges yesterday. The market was generally reduced to quiet cross trading, as the dollar failed to build on Friday's gains.

The upward surge by the dollar - on Friday's news of stronger than expected US employment data - ran out of steam. New York was closed for the Labour Day holiday and Europe was generally wary of putting too much upward pressure on the currency.

Dealers said it is not in the interests of any leading economy to allow a further appreciation of the dollar. A firmer dollar will not help correct the adverse trade flow into the US and will be a recipe for exporting inflation as far as Europe and Japan are concerned.

Reaction to the August US employment figures was that the dollar moved higher because a reduction in US interest rates appears less likely. On the other hand the underlying strength of the currency made dealers nervous about intervention by central banks.

The Bank of Japan intervened repeatedly during the Tokyo morning, but was not seen in the market during the afternoon. Total dollar sales by the Japanese central bank were estimated at around $300m. This did not have any strong impact on the dollar and was regarded by many dealers as a good opportunity to buy the US currency, but it did serve as a reminder that the central banks may be waiting in the wings for an opportunity to squeeze long dollar positions.

For most of the day the dollar hovered around Y146.00 and DM1.9800. It closed a little firmer overall at Y145.90 compared with Y145.80 on Friday and also rose to DM1.9785 from DM1.9780. In terms of other major currencies the dollar climbed to SFr1.7095 from SFr1.7085 and to FFr6.6725 from FFr6.6675. On Bank of England figures the dollar's exchange rate index rose to 72.2 from 72.0.

Sterling showed virtually no reaction to publication of the UK official reserves for August. The figures showed that the Bank of England provided support for sterling last month. A fall of $405m in the reserves was towards the top of wide ranging estimates from $50m to $500m, but underlined the determination of the UK authorities to keep the pound firm. It also tended to support the belief that a cut in UK bank base rates is unlikely in the near future and probably before the end of the year.

Sentiment surrounding sterling received a small boost from news that July UK consumer credit rose a smaller than expected £3.23bn, against £3.46bn in June.

The pound opened generally weaker in London, but then stabilised and saw very little further movement. It fell ¼ cent to $1.5540 and declined to DM3.0750 from DM3.0775; to Y226.75 from Y227.00; to SFr2.6575 from SFr2.6600; and to FFr10.3700 from FFr10.3775. According to the Bank of England sterling's index fell 0.2 to 91.2.

£ IN NEW YORK

Sep.4	Closing	Previous Close
£ Spot	1.5695-1.5705	1.5570-1.5580
1 month	0.62-0.61pm	0.65-0.63pm
3 months	1.80-1.77pm	1.92-1.89pm
12 months	7.17-7.07pm	6.48-6.33pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.4	Previous
8.30 am	91.1	91.4
9.00 am	91.1	91.5
10.00 am	91.2	91.4
11.00 am	91.1	91.5
Noon	91.1	91.5
1.00 pm	91.1	91.5
2.00 pm	91.2	91.5
3.00 pm	91.2	91.5
4.00 pm	91.2	91.4

CURRENCY RATES

Sep.4	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.25965	1.48008
U.S Dollar	7	1.24249	1.04974
Canadian $	12.36	1.46825	1.24006
Austrian Sch.	5	17.2433	14.6250
Belgian Franc	7.75	51.2217	43.4437
Danish Krone	9½	9.51685	8.06728
Deutsche Mark	5.00	2.44920	2.07692
Neth.Guilder	6.00	2.75957	2.34093
French Franc	9½	8.25759	7.00337
Italian Lira	13½	1756.26	1488.43
Japanese Yen	3¼	180.720	153.263
Norway Krone	8	8.90990	7.55711
Spanish Peseta	-	153.152	129.853
Swedish Krona	9½	8.26132	7.00809
Swiss Franc	5.5	2.11410	1.79349
Greek Drach	20½	210.801	178.782
Irish Punt	-	[illegible]	0.778107

Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for Sep.1

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sep.4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4437	+2.32	+1.11	±1.5424
Danish Krone	7.85212	8.06728	+2.74	+1.53	±1.6419
German D-Mark	2.05853	2.07692	+0.89	-0.32	±1.1019
French Franc	6.90403	7.00337	+1.44	+0.23	±1.3719
Dutch Guilder	2.31943	2.34093	+0.93	-0.28	±1.5019
Irish Punt	0.768411	0.778107	+1.26	+0.05	±1.6689
Italian Lira	1483.58	1488.43	+0.33	-0.28	±4.0815
Spanish Peseta	133.804	129.853	-2.95	-	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Sep.4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5510 - 1.5555	1.5535 - 1.5545	0.65-0.62cpm	4.90	1.90-1.86pm	4.84
Canada	1.8315 - 1.8385	1.8345 - 1.8355	0.28-0.22cpm	1.59	0.78-0.65pm	1.61
Netherlands	3.45¾ - 3.47¾	3.46 - 3.47	1⅞-1¾cpm	6.27	5½-5¼pm	6.27
Belgium	64.15 - 64.45	64.20 - 64.30	32-27cpm	5.50	89-83pm	5.35
Denmark	11.91¼ - 11.95½	11.91½ - 11.92½	5-4½orepm	4.65	13¾-12½pm	4.39
Ireland	1.1505 - 1.1540	1.1505 - 1.1515	0.40-0.30cpm	3.87	1.10-1.00pm	3.59
W. Germany	3.07 - 3.07¾	3.07¼ - 3.07¾	1¾-1⅝pfpm	6.58	5-4⅞pm	6.42
Portugal	255.90 - 257.50	256.30 - 257.30	30-12cpm	-0.45	19-22dis	0.34
Spain	190.40 - 192.50	191.75 - 192.05	5-14cdis	-1.71	11-23dis	-0.35
Italy	2199 - 2207	2201½ - 2202½	3¼-2¼lirepm	1.53	9½-7pm	1.50
Norway	11.17¼ - 11.20	11.17¼ - 11.18¼	3¼-2⅝orepm	3.08	8¼-7½	2.87
France	10.35½ - 10.37¾	10.36½ - 10.37½	4⅜-4cpm	4.85	12¼-11⅝pm	4.61
Sweden	10.34½ - 10.38	10.35½ - 10.36½	2¼-1⅞orepm	2.29	6-5½pm	2.24
Japan	226¼ - 227¼	226¼ - 227¼	1⅝-1½ypm	8.25	4¾-4⅝pm	8.25
Austria	21.60 - 21.70	21.62 - 21.65	12⅝-11¼gropm	6.77	36¼-34pm	6.51
Switzerland	2.65 - 2.66¼	2.65¼ - 2.66¼	1½-1⅜	6.50	4¼-4pm	6.21
ECU	1.4820 - 1.4850	1.4825 - 1.4835	0.55-0.53cpm	4.39	1.51-1.46pm	4.02

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.30-64.40 Six-month forward dollar 3.63-3.58cpm 12 months 6.45-6.35cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Sep.4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5510 - 1.5555	1.5535 - 1.5545	0.65-0.62cpm	4.90	1.90-1.86pm	4.84
Ireland†	1.3460 - 1.3510	1.3490 - 1.3500	0.12-0.07cpm	0.85	0.49-0.39pm	1.30
Canada	1.1800 - 1.1825	1.1810 - 1.1820	0.30-0.33cdis	-3.20	0.92-0.97dis	-3.20
Netherlands	2.2200 - 2.2425	2.2295 - 2.2305	0.28-0.26cpm	1.45	0.80-0.76pm	1.40
Belgium	41.25 - 41.49	41.30 - 41.40	3.00-1.50cpm	0.65	6.50-4.00pm	0.51
Denmark	7.66¾ - 7.70¾	7.66¾ - 7.67¾	0.05dis-0.20pm	-0.11	0.65-1.05dis	-0.44
W. Germany	1.9755 - 1.9795	1.9780 - 1.9790	0.30-0.28pfpm	1.76	0.80-0.76pm	1.58
Portugal	165.00 - 165.60	165.00 - 165.10	50-60cdis	-3.99	190-215dis	-4.90
Spain	123.35 - 123.95	123.45 - 123.55	52-62cdis	-5.53	158-168dis	-5.27

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

FINANCIAL FUTURES

Sterling prices weaker

SHORT STERLING futures were marked down in very subdued Liffe trading yesterday. The closure of US markets for Labor Day and the absence of any change in UK cash rates left the December contract lower at 86.44 compared with 86.49 on Friday. The prospect of bank base rates remaining the same for at least the rest of this year has left the market little room for manoeuvre. Further evidence of slowdown in UK inflation and average earnings is likely to be the minimum pre-requisite for any renewed chance of lower rates.

Long gilt futures traded less than 3,000 lots for December delivery; the December contract was virtually unchanged from its opening level of 95-08 but closed down from Friday's close of 95-13 at 95-09.

West German Government bonds were also lower. Cash rates in Frankfurt were virtually unchanged as traders awaited the outcome of today's sale and repurchase tender and the amount of the allocation, not due until tomorrow. The most traded December contract opened at 94.29, down from 94.33 on Friday and finished at the day's low of 94.24. Activity was also subdued ahead of today's Federal bond auction, demand for which is likely to have an influence on sentiment.

In the tables below, the Chicago and Philadelphia prices are for September 1. Prices quoted for London are as at September 4.

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE £/$ OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
1.500	5.58	6.03	6.34	6.64	0.25	1.18	1.94	2.70
1.525	3.51	4.28	4.71	5.12	0.74	1.99	2.78	3.75
1.550	1.97	2.85	3.36	3.83	1.63	3.00	4.00	5.04
1.575	0.96	1.92	2.33	2.82	3.02	4.48	5.49	6.55
1.600	0.39	1.18	1.65	2.02	4.96	6.24	7.20	8.23
1.625	0.10	0.67	1.08	1.50	7.17	8.22	9.10	10.08
1.650	0.04	0.34	0.67	1.02	9.54	10.37	11.16	12.06

Previous day's open int: Calls 408,419 Puts 368,258 (All currencies)
Previous day's volume: Calls 14,115 Puts 13,641 (All currencies)

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm.Bk.N.East	14	Northern Bank Ltd	14
Allied Trust Bank	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williamson Secs.	14
Bank Hapoalim	14	First National Bank Plc.	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co.	14		
Brit Bk of Mid East	14	Hongkong & Shangh	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
● Charterhouse Bank	14	McDonnell Douglas Bnk	14		
Citibank NA	14	Midland Bank	14		
City Merchants Bank	14	Mount Banking	14		
		Nat. Bk. of Kuwait	14		

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EUROPEAN OPTIONS EXCHANGE

[illegible]

MONEY MARKETS

UK rates steady

THE MOOD of the London money market yesterday was neatly captured by a quick glance at the yield rate curve on interbank rates. This showed virtually no change in a market where sentiment is hedged in by the Government's determination to keep rates high to bear down on inflation and keep the pound from falling (itself inflationary). On the other hand, until there is some further sign (to add to the generally bearish tone already offered by many analysts) that interest rates may have to rise, there seems little likelihood of rates breaking out of the recent tight trading range. Against this background, three-month interbank money was unchanged from Friday at 14-13⅞ per cent.

UK clearing bank base lending rate 14 per cent from May 24

The Bank of England forecast a shortage of around £350m. Factors affecting the market included bills maturing in official hands and a take-up of Treasury bills, together with repayment of late assistance draining £621m. There was also £730m drained through the unwinding of previous sale and repurchase agreements. In addition, banks brought forward balances £55m below target. These were partly offset by Exchequer transactions which added £550m and a fall in the note circulation of £505m.

The forecast was revised to a shortage of around £300m but there was no intervention by the Bank during the morning. In the afternoon, the authorities gave assistance of £97m through outright purchases of eligible bank bills in band 1 at 13¾ per cent. Late help came to £20m, making a total of £117m.

In Frankfurt, short-term interest rates were barely changed ahead of today's expected announcement of a Bundesbank sale and repurchase tender. Commercial banks will be keen to hold on to short-term liquidity in order to meet heavy corporate tax payments due later this month. At the same time, a maturing sale and repurchase facility will mature tomorrow, draining DM23.3bn from the system. Banks will also be expected to accommodate a DM3bn Government bond issued today.

In Amsterdam, the Dutch central bank allocated fresh liquidity worth Fl 7.08bn at an unchanged rate of 7.1 per cent. The facility replaced a maturing agreement which drained Fl 2.62bn. The higher allocation was in line with expectations since the drain on short-term liquidity is expected to rise sharply during this week.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

PUBLIC NOTICE

MMC INVITES EVIDENCE ON PROPOSED ACQUISITIONS OF MYSON GROUP

The Monopolies and Mergers Commission would like to hear from any person or organisation with information or views on the proposed acquisition by Yale & Valor of Myson and Blue Circle's present shareholding in and proposed acquisition of Myson.

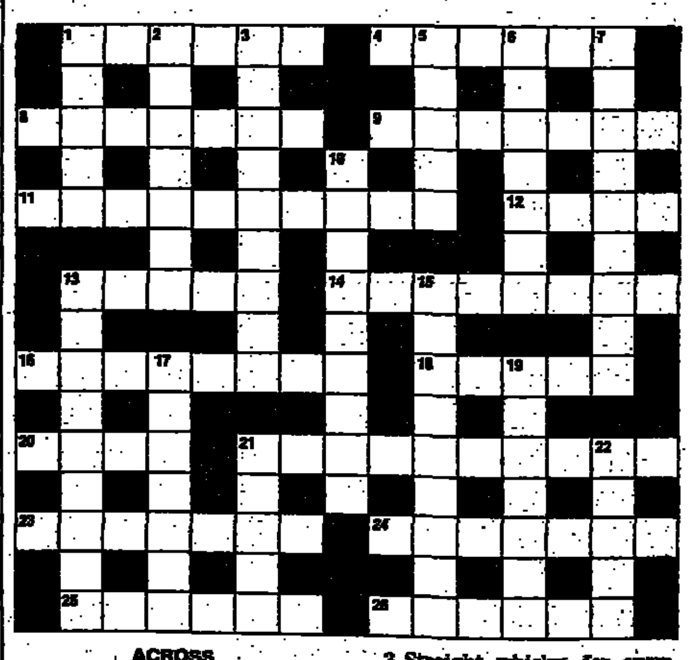
The Commission will be studying the effects on competition in the heating appliances market.

The Commission would like evidence in writing by Monday 18th September 1989 to be sent to:- The Reference Secretary (Valor/Myson/Blue Circle Inquiries), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

JOTTER PAD

CROSSWORD

No.7,029 Set by FRESCA



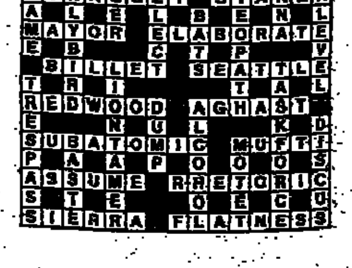
ACROSS

1 and 4 Glacier for the rock garden? (6,6)
8 and 9 Providing cover for head – and possibly tail – of receiver is a serious crime (7,7)
11 State of being over and under reconsidered extremely carefully (10)
12 Confusion about piano and organ part (4)
13 English road duplicated outside a US city (5)
14 Add fuel sloppily round back of car? It's frightening! (8)
16 Barely a runner? (8)
18 Symbol for compound of barium, deuterium and germanium (5)
20 Church work cut (4)
21 Scot with nine aboard, tipsy (10)
23 Plant wickedness and torment (7)
24 Trifle with fate after taking vitamin to live (7)
25 Kind of seed produced from irises – American variety (6)
26 Article on silver object placed before committee (6)

DOWN

1 Indian losing height rapidly (5)
2 It's a bloomer bringing up a dull immovable person without scripture lessons (7)
3 Straight whisky, for example, gets doctor in Kent in a mess (4,5)
5 Noble girl of Tyrolean extraction (5)
6 Married without assistance and produced young (7)
7 Put an end to escape of wayward car up tree (9)
10 Simple study by staff brought up to support girl (9)
13 Unique as a non-smoker perhaps (9)
15 Incorporating substance into oriental pottery (9)
17 Ruler or measure used by newspapers (7)
19 Manure one developed in prison (7)
21 Chopper lands on island: it's self-evident (5)
22 Fragrance of a big city? (5)

Solution to Puzzle No.7,028



WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | HONG KONG | AUSTRALIA | SINGAPORE

CANADA

TORONTO
Closing prices September 1

MONTREAL
Closing prices September 1

Total Sales 8,171,434 shares.

INDICES

NEW YORK — DOW JONES

	Sep 1	Aug 31	Aug 30	Aug 29	1989 High	1989 Low	Since compilation High	Since compilation Low
♠Industrials	2752.09	2737.27	2728.15	2726.63	2752.09 (1/9)	2144.64 (3/1)	2752.09 (1/9/89)	41.22 (2/7/32)
Home Bonds	93.18	93.05	93.12	93.16	94.15 (2/8)	87.35 (23/3)	–	–
Transport	1526.32	1509.42	1529.52	1506.58	1529.52 (30/8)	959.95 (3/1)	1529.52 (30/8/89)	12.32 (8/7/32)
Utilities	218.62	217.30	217.05	217.74	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♠Day's High 2766.91 (2744.68) Low 2726.82 (2717.90)

STANDARD AND POOR'S	Sep 1	Aug 31	Aug 30	Aug 29	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	353.73	351.45	350.65	349.84	353.73 (1/9)	275.31 (3/1)	353.73 (1/9/89)	4.40 (1/6/32)
Industrials	405.27	402.85	401.92	401.06	405.27 (1/9)	318.66 (3/1)	405.27 (1/9/89)	3.62 (21/6/32)
Financial	33.49	33.26	33.19	33.16	33.59 (7/8)	24.30 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	196.37	195.27	194.92	194.47	196.37 (1/9)	154.98 (3/1)	196.37 (1/9/89)	4.46 (25/4/42)
Amex Mkt. Value	383.96	382.19	381.58	380.94	383.96 (1/9)	305.24 (3/1)	383.96 (1/9/89)	29.31 (9/12/72)
NASDAQ Composite	471.34	469.33	468.27	466.57	471.34 (1/9)	378.56 (3/1)	471.34 (1/9/89)	54.87 (31/10/72)

	Aug 25	Aug 18	Aug 11	year ago (approx.)
Dow Industrial Div. Yield	3.39	3.44	3.43	3.80
	Aug 30	Aug 23	Aug 16	year ago (approx.)
S & P Industrial div. yield	2.83	2.88	2.87	3.30
S & P Indl. P/E ratio	14.67	14.40	14.44	13.57

TRADING ACTIVITY — † Volume Millions

	Sep 1	Aug 31	Aug 30
New York	133.300	143.420	174.350
Amex	12.587	13.069	14.545
OTC	113.463	117.756	121.701

NEW YORK	Sep 1	Aug 31	Aug 30
Issues Traded	1,935	1,967	1,957
Rises	891	780	795
Falls	481	655	646
Unchanged	563	532	516
New Highs	122	80	100
New Lows	11	12	11

CANADA — TORONTO

	Sep 1	Aug 31	Aug 30	Aug 29	1989 High	1989 Low
Metals & Minerals	3919.2	3911.5	3910.8	3885.3	3919.2 (1/9)	3207.5 (3/1)
Composite	4014.6	4010.2	4009.1	3991.4	4019.7 (10/8)	3350.5 (6/1)
MONTREAL Portfolio	2053.80	2046.71	2048.74	2037.59	2053.80 (1/9)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Gen Motors	2,010,600	49⅞	+ ⅞	Exxon	1,493,300	44	+ ¼
Niag Mohawk	1,945,700	12⅞	+ ⅛	Texas Utilities	1,470,300	32⅛	+ ⅛
Bristol Myers	1,696,100	50⅛	+ ⅛	Upjohn	1,446,700	40	+ ⅞
AMR Corp	1,604,500	89⅞	+ 1⅞	Union Carbide	1,367,500	30⅞	– ¼
Am T & T	1,524,500	40¼	+ ¼	Reebok Intl	1,351,600	16½	+ ½

Base values of all indices are 100 except NYSE All Common – 50, Standard and Poor's – 10, and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sep. 4	Sep. 1	Aug. 31	Aug. 30	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1763.9	1748.8	1763.2	1781.2	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	861.9	846.8	858.2	871.0	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	427.95	424.39	429.52	438.04	438.04 (30/8)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6529.47	6509.03	6490.81	6494.96	6529.47 (4/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	335.78	335.20	334.99	334.61	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	753.7	762.6	771.1	772.3	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	531.6	526.4	523.0	520.8	531.6 (4/9)	417.9 (4/1)
Ind. Tendance (30/12/88)	125.1	123.4	125.1	123.3	125.1 (31/8)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	673.35	665.95	659.7	656.70	673.35 (4/9)	535.78 (27/2)
Commerzbank (1/12/53)	2016.5	1995.7	1975.3	1966.1	2016.5 (4/9)	1595.7 (27/2)
DAX (30/12/87)	1623.98	1608.33	1597.85	1585.98	1623.98 (4/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2550.25	2508.91	2508.57	2505.40	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	728.82	734.12	734.84	730.73	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34483.78	34348.22	34431.20	34471.6	35140.83 (21/8)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2614.59	2602.51	2603.38	2607.07	2659.08 (21/8)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen. (End 1983)	263.3	264.1	264.6	263.6	266.2 (17/8)	208.3 (3/1)
CBS All Shr (End 1983)	204.0	204.7	205.1	204.4	207.0 (17/8)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	673.81	673.51	679.36	677.47	679.36 (31/8)	467.17 (2/1)
SINGAPORE						
Straits Times Ind (30/12/66)	1382.28	1363.73	1356.01	1350.21	1387.01 (21/8)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1550.04	1556.0	1571.0	1606.0	1685.0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2815.04	2818.0	2828.0	2824.0	2838.0 (25/8)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	325.20	322.46	320.18	320.73	325.20 (4/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4497.4	4569.9	4582.3	4562.1	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	823.0	817.0	816.4	810.7	825.8 (28/8)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	534.9	535.2	537.7	551.2 (3/8)	487.6 (13/6)

♠ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday September 4 198

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kaisei Electric	17.6m	2,980	+20	Kawasaki Kisen	5.3m	911	+13
Nippon Steel	10.3m	799	+6	Mitsui OSK Lines	5.1m	905	-3
Toshiba	7.0m	1,280	+30	Asahi Optical	5.1m	1,200	+10
NKK	6.8m	776	+10	Tokyu Land	4.5m	1,430	+70
Sansui	5.6m	919	+74	TEAC	4.5m	1,230	+110

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FINANCIAL TIMES

Tuesday September 5 1989

EUROPE

Frankfurt and Paris advance by 2 per cent

THE Labor Day holiday in North America failed to hold back the Continent's two biggest bourses yesterday, as Paris and Frankfurt both burst forward 2 per cent in active trading. Some markets were more subdued, but domestic considerations seemed as important as the absence of trading on Wall Street, *writes Our Markets Staff*.

PARIS enjoyed a surge in prices, carrying on from Friday's gains, as domestic investors returned from their summer absence and foreigners also moved in for a slice of the action. "It was a superb day, absolutely magic," exclaimed one dealer.

Among the strongest performers was Moulinex, which jumped FFr7.90 to FFr149.40 on 257,000 shares traded. The stock was seen as a laggard, and there was also interest in the new markets opened up by its recent acquisitions in the UK and Italy.

Peugeot rose FFr39 to FFr979 in active trading, with favourable press coverage of the new 605 model stimulating interest, while Pernod gained FFr40 to FFr1,520 on enthusiasm about the potential boost to earnings from the long hot summer and the contribution from Irish Distillers, acquired last year.

In the Suez takeover bid saga, target Industrielle was requoted and traded at FFr14,630; *it was suspended at* FFr9,750 on August 4. Victoire fell FFr30 to FFr1,793 on concern that Suez would fail in the bid attempt, and Suez was down FFr5.80 at FFr367.

The OMF 50 index rose 10.94, or 2 per cent, to 529.38 and the CAC General index, based on opening prices, climbed to a record 531.6, up 5.2. Turnover was thought to be similar to Friday's FFr2.76bn.

FRANKFURT was also busy as cars and constructions led gains on domestic and foreign demand, also continuing Friday's momentum. Strong *industrial production figures* for July added to the bullish mood.

The FAZ index rose 13.65, or 2 per cent, to a post-crash high of 673.35 and the DAX real time index reached a 1989 high of 1,624.00, up 15.67. Turnover was a heavy DM6bn.

The automobile sector was driven by the approach of the Frankfurt motor show next week, with Daimler up DM12.70 to DM850.50 in the day's most active trading. The stock was also helped by buying before Friday's expected approval of the group's takeover of MBB, the aerospace group.

The interest spread to car parts suppliers such as Varta, the battery maker, which added DM7 to DM415.

Buying in the construction sector was fuelled by the heavy media coverage given to the *large-scale emigration from* East Germany and the perception that big building programmes would be needed to house these people. Hochtief rose DM20 to DM850 after its 5.7 per cent jump on Friday. Bilfinger und Berger gained DM13 to DM513, and Heidelberger Zement was up DM35 at DM1,030.

MADRID hit a new 1989 high as follow-through buying from Friday fuelled a 2.74 rise in the general index to 325.20. Triggered by confirmation of an early election on October 29, the advance featured renewed strong gains by construction stocks, with Dragados adding 10.50 points to 705.50.

ZURICH advanced in moderate trading. The Crédit Suisse index rose 4.9 to 668.4.

Interest centered on Adia, the temporary employment group, and Inspectorate, the quality control company, which said they will extend an exchange of minority holdings into a full merger in January. Inspectorate bearers oscillated in a wide range of SFr2,310 to SFr2,520, closing down SFr60 at SFr2,360. Adia bearers gained SFr190 to SFr9,200.

AMSTERDAM was overshadowed by Wednesday's national elections with volume a very low Fl 490m, well down on Friday's Fl 854m. The CBS tendency index eased 1.0 to 190.0.

Blue chips were mainly weaker but Ahold, the retailer which announces first half results today, bucked the trend, adding 70 cents to Fl 132.70. Some analysts expect *a 22 per cent rise in first half* net profits.

Philips slipped 30 cents to Fl 42.70. Polygram International, a 90 per cent owned subsidiary of Philips, would not comment on a press report that it was close to buying A & M Records for about $500m.

MILAN encountered technical selling midway through the September account, with leading stocks ending sharply lower. The Comit index fell 5.3 to 728.83. However, Mediobanca gained L1,000 to L28,500 after its 25 per cent improvement in profits and a rights issue.

STOCKHOLM dipped in moderate trading, as bearish sentiments over Saab's troubled car division weighed heavily on the market. The Affärsvärlden General index fell 18.6 to 1,339.4.

Saab shares, which accounted for more than a fourth of total turnover worth SKr110m, were unchanged at SKr235.

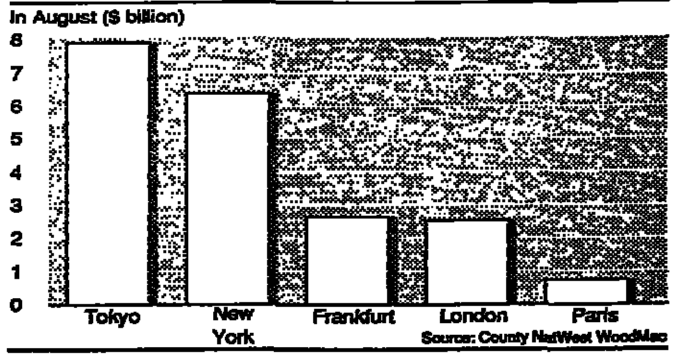
OSLO slipped from record levels last week as nervous investors took profits before elections next Monday. The all share index dropped 0.34 to 523.79.

BRUSSELS moved mainly higher in light trading. The cash market index rose 20.44 to 6,529.47, a record high.

Société Generalé de Belgique climbed BFr50 to BFr3,550 as a result of rallies by its subsidiaries.

Average value of daily share turnover

In August ($ billion)



Source: County NatWest WoodMac

ASIA PACIFIC

Large capital issues push Nikkei higher

Tokyo

THE RELENTLESS rise of the dollar heralded an inauspicious start for the week but interest in large capital issues helped the Nikkei average to rise for the first time in four trading sessions, *writes Michiyo Nakamoto in Tokyo*.

The Nikkei broke its string of losses with a gain of 135.56 points to close at 34,483.78. The day's high was at 34,558.64 while the low was at 34,305.51. Advances led declines by 583 to 363 while 164 issues were unchanged.

Turnover, however, at a paltry 437m shares, did not support the gains and was much lower than the 645m traded on Friday. The Topix index of all listed shares rose 12.03 to 2,614.59. In London trading, the ISE/Nikkei 50 index shed 0.95 to 2,043.60.

The market continued to suffer from the effects of political uncertainty, interest rate doubts, currency fluctuations and the popularity of index funds which have left it drifting in directionless trading.

Investors have quickly latched on to themes emerging through external developments or the ingenuity of dealers, but their interest has been difficult to sustain. "The very lack of focus has dampened investment interest," said Mr Mitsuru Maekawa at Jardine Fleming. The lack of outstanding appeal or lasting strength in any topic, sector or even individual issue has kept investors wary of pouring funds into the market, he added. This would explain the depressed volume levels, which, despite the rise in the Nikkei, were ample proof yesterday that the market mood has far from recovered.

There was further discouragement yesterday in the dollar's rise to the Y146 level and the US unemployment figures for August released late on Friday that suggested interest rates would not immediately be heading lower.

Interest still focused on companies with strong earnings and low price-earnings ratios, which offered investors the chance to make quick profits.

Sony, which has attracted attention recently, fell back Y50 to Y8,800, but Toshiba, the third most actively traded stock with 7.0m shares, added Y30 to Y1,280.

Less well-known names with sparkling profits performances won favour. Rengo, a maker of paper products, surged Y80 to a record high of Y1,090. The company is expected to post a double-digit rise in recurring profits for the second consecutive year to March 1990. Rengo also has a relatively low p/e ratio of about 43.

Large capital steel and shipbuilding stocks recovered a little, with Nippon Steel rising Y6 to Y799 and Mitsubishi Heavy Industries gaining Y20 to Y1,150. Analysts said, however, that interest in large volume issues was mostly dealer-led, with some investors just testing the water.

Speculation about mergers and acquisitions offered the market a bit of excitement. Sansui Electric, a specialised audio maker that has suffered financial difficulty for several years, rose Y74 to Y919 on rumours that the company would enter into some kind of tie-up. A company official flatly denied the rumours but said the company was considering a joint venture.

Issues with special situations remained popular with Keisei Electric Railways topping the most actives list with 17.6m shares. Keisei advanced Y20 to Y2,960 on speculation that an affiliate, Oriental Land, might be listed.

In Osaka, the OSE average added a modest 26.71 to 34,626.44 while volume slipped to 53m shares from 74m on Friday.

Roundup

LEADING Asia Pacific markets found fresh impetus in Wall Street's Friday peak which underpinned bullish sentiment.

AUSTRALIA gained ground after a strong afternoon advance, resuming its progress after profit-taking at the end of last week.

The All Ordinaries index rose 15.1 to 1,763.9, slightly off its day's high of 1,764.4, with market sentiment bolstered by improved results from leading companies.

Turnover was a respectable 184m shares worth A$290. Advancing issues outnumbered declining ones by two to one.

Boral, which announced a 44 per cent rise in annual net profit, gained 3 cents to A$4.16.

In the resources sector, CRA, which is tipped to deliver strong half-yearly results today, gained 30 cents to A$11.65.

HONG KONG moved sharply higher, taking its cue from Wall Street's record highs on Friday. The Hang Seng index rose 41.34 points, or 1.65 per cent, to 2,550 while turnover rocketed to HK$729m compared with Friday's HK$449m.

The market appears poised to test the Hang Seng index's 2,600 level in the short term.

Cheung Kong and affiliate Hutchison topped the most active list and both gained 20 cents to HK$8.40 and HK$8.45 respectively amid widespread rumours about group restructuring.

SINGAPORE continued its run of gains, ending firmly with prices rising sharply across the board as institutions and small investors showed strong buying interest.

The Straits Times industrial index climbed 18.55 to 1,382.28. Rising stocks outpaced falling ones by 143 to 63 while turnover soared to 135m shares from Friday's 63m.

Sime Darby gained 28 cents to S$3.72 after announcing better than expected results and a one-for-two bonus issue.

NEW ZEALAND also rose as turnover fell to 10m shares valued at NZ$19.3m from Friday's 11m shares valued at NZ$21m. The Barclays index gained 30.87 to 2,446.32.

SOUTH AFRICA

TRADING was generally subdued in Johannesburg yesterday where the stock market closed mainly easier.

Investors pause to survey scene from new heights

By Alison Maitland

INVESTORS stopped to take in the view from the higher slopes of the world's equity markets last week and share prices made very little progress in one of the steadiest weeks of the year.

New heights were reached with the minimum of effort. The Dow Jones Industrial Average, for example, closed the week at a record of 2,752.09 after economic indicators on Friday pointed to a comfortably modest pace of growth. But the US market had to rise only 0.8 per cent in local currency terms to hit that level.

In the UK, the FT-SE 100 index ended at a post-crash peak of 2,407.5, helped by speculative activity, but that achievement, too, was founded on a market rise of 0.4 per cent over the week.

The other heavyweight, Japan, put downward pressure on the overall World Index with a decline of just under 1 per cent, triggered by the yen's weakness, concern over interest rates and downward revisions of earnings forecasts for the steel manufacturers. Speculative interest in the financial sector, sparked by the merger of Mitsui and Taiyo Kobe banks, probably saved the market from a steeper fall.

The week's biggest gain came from New Zealand, which pushed ahead by a further 2.9 per cent to give a rise of 12 per cent over the past four weeks and of 36 per cent since the start of the year. Foreign buyers have continued to dominate the market which has been catching up after a long period in the doldrums and has been boosted by a brighter domestic economic outlook.

On the negative side, South Africa recorded the week's biggest fall – of 2.3 per cent. Overseas selling of South African stocks gathered momentum towards the end of the week as the financial rand strengthened, say brokers Hoare Govett in their weekly review of world stock markets. Local institutional interest in industrial stocks also "began to fade somewhat as the reporting season drew to a close and the general election approaches."

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †
	1 Week	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	+0.73	+10.25	+78.65	+69.10	+76.85
Belgium	+0.06	+0.81	+23.65	+8.30	+13.84
Denmark	-1.37	-4.39	+68.98	+27.41	+32.75
Finland	-1.67	-0.64	+14.29	+8.98	+16.46
France	+0.70	+3.86	+50.71	+23.27	+30.17
West Germany	+0.75	+2.30	+38.06	+21.82	+27.00
Ireland	-0.85	+1.51	+27.52	+28.78	+34.66
Italy	+0.20	+4.25	+39.22	+21.12	+29.57
Netherlands	-0.36	+0.14	+31.22	+23.06	+28.50
Norway	+0.82	+8.47	+72.88	+44.26	+53.71
Spain	+1.06	+5.17	+13.73	+16.19	+24.04
Sweden	-0.46	+2.62	+67.68	+37.16	+46.89
Switzerland	-1.43	+1.73	+30.69	+30.33	+33.22
UK	+0.36	+2.39	+35.64	+32.01	+32.01
EUROPE	+0.28	+2.54	+38.84	+26.74	+30.19
Australia	-0.89	+3.95	+14.02	+18.61	+23.04
Hong Kong	-0.39	-1.96	+4.86	-6.09	+9.11
Japan	-0.96	-1.08	+25.08	+8.78	+8.39
Malaysia	-1.16	+0.64	+39.29	+30.15	+52.07
New Zealand	+2.93	+11.99	+24.78	+36.43	+50.00
Singapore	+0.57	+0.06	+32.30	+33.91	+53.64
Canada	+1.08	+0.99	+23.20	+20.00	+40.75
USA	+0.79	+1.25	+33.09	+27.09	+47.70
Mexico	+1.90	+8.85	+112.03	+99.17	+106.77
South Africa	-2.30	-0.85	+58.31	+39.78	+49.96
WORLD INDEX	-0.06	+8.80	+29.94	+25.53	+26.53

† Based on Friday 1st September, 1989

In Europe, which almost stood still as a region, Spain gave the week's best performance with a rise of just 1 per cent, boosted on Friday by confirmation of early general elections.

● World equities showed a broad advance in August in local currency terms, with new 1989 highs reached in 20 of the 24 markets covered by the FT-Actuaries World Indices.

Only six markets failed to gain over the month, and they were concentrated in the Pacific, according to figures from County NatWest WoodMac. Hong Kong again suffered from jitters induced by the situation in China and reacted badly to a spate of rumours with a fall of 2.7 per cent. Japan shed 1.7 per cent, and Singapore was off 1.4 per cent after its rally in July in the run-up to National Day on August 9. Against the regional trend, New Zealand and Australia showed strong gains.

Europe including the UK added 3.7 per cent in August, while the Continent alone managed a stronger 4.1 per cent rise. The Nordic region was only 0.3 per cent ahead, with Finland and Denmark both falling during the month, while North America was up a modest 1.5 per cent.

Sterling investors had the best time in August as the weakening of the currency enhanced otherwise restricted gains in overseas markets.

Austria, New Zealand, Australia and Mexico all produced double-digit rises in sterling terms. However, a fall of 1.3 per cent in Japan meant that the advance by the World excluding the UK was 3.3 per cent, only slightly ahead of the 3.2 per cent rise in the UK.

Dollar investors were again better off staying at home, with the US market advancing 1.5 per cent in August compared with a fall of 4.4 per cent in the World excluding the US, as the strength of the currency offset share price gains. Japan fell 6.9 per cent in dollar terms.

However, there were some exceptions to the generally lacklustre picture, with New Zealand advancing 27.6 per cent in dollar terms, Austria up 14.7 per cent and Australia gaining 8.8 per cent.

IFC EMERGING MARKETS INDICES

Market	No. of stocks	PRICE: July 1989	% Change on June (Dollar terms)	% Change on Dec 31 '88 (Dollar terms)	July 1989	% Change on June (Local currency terms)	% Change on Dec 31 '88 (Local currency terms)	TOTAL RETURN: July 1989	% Change on June (Dollar terms)	% Change on Dec 31 '88 (Dollar terms)
Latin America	(158)	196.90	-2.8	28.8	—	—	—	272.97	-2.3	36.2
Argentina	(24)	199.08	-64.9	12.1	673,038.53	-9.0	4,093.7	238.11	-64.9	20.8
Brazil	(56)	119.75	13.1	29.8	78,795.77	61.3	281.7	174.55	13.6	37.9
Chile	(25)	478.72	-7.5	4.7	1,013.60	-1.1	15.1	776.34	-6.8	11.8
Mexico	(53)	503.56	1.3	44.9	6,578.55	2.7	57.8	668.51	1.4	49.1
Asia	(204)	433.34	3.2	49.6	—	—	—	541.11	3.2	52.5
Korea	(61)	475.67	6.0	-1.3	379.63	6.1	-4.9	803.18	6.0	1.9
Malaysia	(62)	134.80	4.8	23.8	147.85	3.2	21.5	159.50	5.1	28.0
Taiwan,China	(62)	1,315.01	1.9	97.6	848.40	1.3	78.5	1,445.03	1.9	99.3
Thailand	(19)	300.28	0.6	37.6	283.71	0.0	40.1	541.39	1.1	50.1

Source: International Finance Corporation. Base data: Dec 31,1984.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of stocks per grouping	FRIDAY SEPTEMBER 1 1989: US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	THURSDAY AUGUST 31 1989: US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX: 1989 High	1989 Low	Year ago (approx)
Australia (85)	152.97	-1.1	145.70	133.53	-0.8	4.69	154.70	145.77	134.59	157.14	126.26	133.68
Austria (19)	146.31	-1.7	139.36	149.87	-0.9	1.82	148.60	140.02	151.18	150.67	92.84	86.51
Belgium (63)	132.32	-0.5	126.04	134.77	+0.3	4.10	133.00	125.32	134.32	137.57	125.58	111.46
Canada (123)	152.04	-0.3	144.82	130.19	+0.2	3.09	152.57	143.75	129.92	153.59	124.67	117.63
Denmark (36)	194.61	-0.5	185.37	202.55	+0.0	1.55	195.64	184.33	202.55	219.89	165.35	120.41
Finland (26)	133.39	-0.9	127.06	124.60	-0.3	2.20	134.61	126.83	124.95	159.18	125.81	117.05
France (126)	128.84	-0.6	122.72	134.75	+0.4	2.60	129.65	122.16	134.17	133.44	112.57	90.28
West Germany (100)	96.10	+0.0	91.54	98.82	+1.0	2.07	96.14	90.59	97.84	100.53	79.56	74.07
Hong Kong (46)	104.96	+0.0	99.98	105.24	+0.0	5.26	104.94	98.88	105.23	140.33	86.41	100.14
Ireland (17)	152.68	-0.9	145.43	158.84	-0.2	2.79	154.13	145.23	159.22	166.89	125.00	127.07
Italy (97)	94.90	-1.0	90.40	100.57	+0.0	2.24	95.83	90.30	100.56	96.73	74.97	69.54
Japan (455)	178.60	-0.9	170.12	164.65	+0.0	0.48	180.18	169.77	164.63	200.11	164.22	153.13
Malaysia (36)	187.76	-0.1	178.85	194.85	+0.0	2.50	187.87	177.02	194.85	193.38	143.36	135.94
Mexico (13)	287.91	+0.0	274.24	806.18	+0.2	0.62	287.87	271.24	804.96	290.19	153.32	152.09
Netherland (43)	124.27	-1.2	118.37	128.43	-0.2	4.13	125.81	118.55	126.70	130.67	110.63	100.53
New Zealand (20)	87.25	-0.2	83.10	77.74	-0.4	4.44	87.43	82.38	78.09	87.43	62.64	70.75
Norway (24)	183.73	-1.2	175.01	178.62	-0.8	1.48	186.00	175.25	180.00	190.39	139.92	110.08
Singapore (26)	165.36	-0.1	157.50	160.07	+0.0	1.86	165.52	155.96	160.07	170.62	124.57	120.31
South Africa (60)	150.75	-1.0	143.59	137.30	-0.6	4.08	152.34	143.45	138.08	154.97	115.35	106.73
Spain (43)	158.37	-0.3	150.85	147.99	+0.5	3.47	158.80	149.63	147.25	160.94	143.14	138.62
Sweden (35)	182.76	-1.5	174.09	179.65	-0.8	1.91	185.08	174.39	181.31	188.94	138.45	112.11
Switzerland (54)	89.50	-1.3	85.25	94.79	-0.1	1.99	90.67	85.43	94.89	94.18	67.81	74.80
United Kingdom (307)	153.69	-0.3	146.40	146.40	+0.8	4.00	154.09	145.19	145.19	158.41	133.28	122.56
USA (549)	143.84	+0.7	137.01	143.84	+0.7	3.24	142.89	134.63	142.89	143.84	112.13	108.08
Europe (1000)	128.46	-0.5	122.37	127.41	+0.5	3.23	129.09	121.64	126.72	132.62	112.63	99.97
Nordic (121)	167.39	-1.0	159.44	161.58	-0.5	1.76	169.03	159.27	162.37	178.38	137.95	107.30
Pacific Basin (670)	174.99	-0.9	166.68	161.27	+0.0	0.72	176.52	166.32	161.36	194.72	160.44	150.48
Euro – Pacific (1670)	156.51	-0.7	149.08	147.60	+0.1	1.56	157.68	148.57	147.36	166.98	141.56	130.28
North America (672)	144.23	+0.6	137.38	142.98	+0.6	3.23	143.36	135.08	142.08	144.23	112.79	108.59
Europe Ex. UK (693)	112.51	-0.6	107.17	115.70	+0.3	2.65	113.24	106.70	115.32	116.28	96.30	85.86
Pacific Ex. Japan (215)	131.95	-0.6	125.30	119.55	-0.5	4.53	132.41	124.76	120.11	137.65	111.93	118.27
World Ex. US (1866)	156.39	-0.7	148.96	147.16	+0.1	1.64	157.53	148.43	146.94	166.35	141.49	129.66
World Ex. UK (2108)	150.57	-0.3	143.42	145.97	+0.3	1.99	150.96	142.24	145.58	155.66	136.96	121.11
World Ex. So. Af. (2355)	150.84	-0.3	143.67	146.04	+0.3	2.16	151.22	142.48	145.57	155.92	136.67	121.30
World Ex. Japan (1960)	138.01	+0.2	131.45	136.73	+0.5	3.29	137.50	129.84	135.99	138.23	114.51	105.98
The World Index (2415)	150.83	-0.3	143.67	145.98	+0.3	2.18	151.23	142.49	145.61	155.89	136.88	121.22

Latest prices were unavailable for this edition.